6/9/82 R4105-32

Who Is Top Management?

The Conference Board

Report No. 821

ABOUT THE CONFERENCE BOARD

The Conference Board is an independent, not-for-profit research institution with facilities in the United States, Canada and Europe. Its scientific studies of management and economics produce a continuing flow of timely and practical information to assist leaders of business, government, labor and other institutions in arriving at sound decisions. The Board's research is also made available to the news media in order to contribute to public understanding of economic and management issues in market economies.

Worldwide, The Conference Board is supported financially by more than 4,000 Associates, comprised of corporations, national and regional governments, labor unions, universities, associations, public libraries and individuals.

THE BOARD'S SERVICES

Development Directors at the addresses listed below will describe the Board's services in detail and will tailor delivery of these services to the specific needs of Associate organizations. Inquiries from locations other than in Canada and Europe should be addressed to The Conference Board, Inc. in New York.

The Conference Board, Inc.
845 Third Avenue, New York, New York 10022
(212) 759-0900
Telex: 234465 and 237282

The Conference Board of Canada*
Suite 100, 25 McArthur Road, Ottawa, Ontario, K1L-6R3
(613) 746-1261

*A cooperating institution operating under license.

The Conference Board, Inc.
Avenue Louise, 207 - Bte 5, B-1050 Brussels, Belgium
(02) 640 62 40
Telex: 63635

Conference Board Report No. 821 Printed in U.S.A.

©1982 THE CONFERENCE BOARD, INC.

ISBN No.: 0-8237-0261-8

Who Is Top Management?

by Ruth G. Shaeffer
Senior Research Associate

and

Allen R. Janger
Director, Management Research

A Research Report from The Conference Board

Contents

	Page
WHY THIS REPORT	9
1. WHO RUNS THE COMPANY?	11
2. TOP MANAGEMENT: THE CHIEF EXECUTIVE'S VIEW	13
How Big Is Top Management?	13
The Composition of the Top Management Group	14
The Composition of Different Sizes of Top Management Groups	18
The Composition of Top Management in Different Industries	18
How the Composition of Top Management Varies in Companies of Different Sizes	22
Different Models for Top Management	24
A Functional Managers Model	24
A Mix of Managers Model	25
A Business Managers Model	27
An Asset and Resource Managers Model	29
What of the Future?	30
Who Will Be in Top Management?	30
3. TOP MANAGEMENT AND THE TOP EARNERS	35
Who Are the Top Earners?	35
By Title	35
By Function	36
General Executives	36
Operating Executives	38
Staff Functional Executives	38
Two Pictures of Top Management Compared	39
The Highest Paid Functions	41
Ranking the General Executives	41
Operating Executives	41
And the Corporate Staff Functional Executives	41
The Fine Art of Conferring Status	42

Exhibits

1. Top Management Models	25
2. Matrix of Top Management Models Now and in Three to Five Years	33

Tables

1. The Size of the Top Management Group, by Industry 15
2. The Size of the Top Management Group, by Size of Company 15
3. Positions of the General Operating Officers Included in Top Management .. 15
4. The Size of the Top Management Groups that Fit Different Models 27
5. Top Management Groups that Fit Different Models, by Industry and Size of Company 27
6. The General Outlook for the Company over Three to Five Years, by Industry 31
7. The Size of Top Management Now and in Three to Five Years, by Industry 32
8. Inferred Top Management Models Now and in Three to Five Years, by Industry 33
9. Substantive Changes Associated with a Switch in Top Management Models 34
10. Titles of the Ten Highest Paid Executives in 256 Manufacturing Companies, by Salary Rank 36
11. The Highest Paid General Executives in 256 Companies, by Salary Rank and Duties 37
12. Ten Highest Paid Operating Executives in 256 Companies, by Salary Rank and Duties 37
13. Ten Highest Paid Staff Functional Executives in 256 Companies, by Salary Rank and Duties 37
14. Prevalence of Functional Specialists in Two Versions of Top Management (500 Largest U.S. Industrial Companies) 42
15. Titles of the Ten Highest Paid Executives, by Job Function 42

Charts

1. The Composition of Top Management When that Group Consists of Three to Five Executives 16
2. The Composition of Top Management When that Group Consists of Six to Ten Executives 16
3. The Composition of Top Management When that Group Consists of Eleven to Fifteen Executives 17
4. The Composition of Top Management When that Group Consists of Sixteen or More Executives 17
5. The Composition of Top Management in Manufacturing Companies 19
6. The Composition of Top Management in Banks 20
7. The Composition of Top Management in Insurance Companies 20
8. The Composition of Top Management in Retailing Firms 21
9. The Composition of Top Management in Utilities 21
10. The Composition of Top Management in the Largest and Medium-Large Manufacturing Companies 22
11. The Composition of Top Management in the Largest and Medium-Large Banks 23
12. The Composition of Top Management in the Largest and Medium-Large Insurance Companies 23

13. The Composition of Top Managements that Fit a Functional Managers Model 26
14. The Composition of Top Managements that Fit a Mix of Managers Model. . 28
15. The Composition of Top Managements that Fit a Business Managers Model 28
16. The Composition of Top Managements that Fit an Asset and Resource Managers Model 29
17. The Composition of Top Management Now and in Three to Five Years 32

Why This Report

CHIEF EXECUTIVES tell us that high-level management succession is a matter of constant concern to them. Therefore, who they see as comprising "top management" is relevant to everything that is done in the name of developing high-level managers.

The Conference Board conducted two studies concurrently. The first of these dealt with the CEO's definition of "top management"—now and in the near future. The second dealt with top management compensation: salary relationships among the highest earners in their companies.

Although the data came from two somewhat different samples, the chance to compare the CEO's perceptions and compensation realities—to determine whether the compensation system reinforces or subverts the CEO's intent—was too intriguing to forego. The analysis shows that, in this instance, there is a close fit between what the CEO says and what his rewards system does. This brief report also indicates that more of the Board's work will emphasize relationships between what management mavens call "strategy, structure and systems."

We trust that the results of this analysis, and the basis it has laid for our future work on staffing at the summit, will justify the time and patience of the many CEO's and other top corporate executives who graciously shared their thinking with us.

JAMES T. MILLS
President

Chapter 1
Who Runs the Company?

AT ONE TIME this was an easy question to answer. There was one person, carrying the title of President, who was the "Boss." That was all anyone knew and all anyone had to know. The rest were just so many hands, extensions and implementors of the top person's short-range goals and long-range visions, minions and, even, servants. The president gave the orders and everyone else just carried them out.

This picture is, of course, oversimplified. But it was accurate enough for generations of businesspeople around the world to have been guided successfully by this vivid concept of company leadership.

Still, the concept has always had its troublesome aspects. Most companies have always had at least a few shadowy figures close to the president who were not just aides. Perhaps they owned stock or were members of an owning family. Perhaps they possessed great force of character or had a special relationship with the president. Maybe they were able to bring special knowledge and skills to the solution of major company problems. Whatever the source of their power, these figures commanded a respect and exercised an authority in the company close to that of the president himself.

To describe these senior executives and their roles, management consultants and analysts long ago came up with the concept of a top management group. This group was made up of senior-level executives who were expected to function as deputies to the chief executive at least part of the time, addressing problems that were companywide in nature, and drawing on the resources and units at their command to deal with these broad problems. In theory these top managers were seen as joining with the president in carrying out the overall duties of managing at the highest level in the company.

In a very few companies—mainly in Europe—the term "top management" connotes even more—a true "multiple chief executive," or "collective chief executive," in which top management issues are decided by committees of peer executives. The chairman in such a company has no special authority apart from chairing committee meetings. Chairmanship may rotate informally among the members of the committee.

But in by far the majority of companies there is a clearly identified top executive, whose status and authority clearly exceed all the rest. Who are those other people and what do they do?

Over the years, The Conference Board has taken a number of tries at answering, or at least illuminating, the questions of top management composition and function. Following the thought that top management was primarily an organizational concept, The Conference Board analyzed organization charts of corporations. The assumption, here, was that top management could be usefully defined as including the chief executive and those other executives who formally reported to the chief executive on the corporate organization chart.[1] The functions and structure of top management were explored in surveys of the way chief executives organized and utilized the services of the people they worked with.[2] Various other approaches to defining management level were explored, including analysis of salary levels.[3]

But something of the mystery remains, and issues of who "should be" defined as being in top management—and why they belong there—remain matters for earnest debate, not least among members and would-be members of top management. Besides, times change. If top management was composed in a certain way 15 years ago, there is no guarantee that it is still composed the same

[1]For a more detailed examination of how this approach worked out see: Harold Stieglitz and Allen R. Janger, *Top Management in Divisionalized Companies*. The National Industrial Conference Board, Studies in Personnel Policy No. 195, 1965.

[2]Harold Stieglitz, *The Chief Executive—and His Job*. The National Industrial Conference Board, Studies in Personnel Policy No. 214, 1969.

[3]See, for example, pp. 7-18 in Ruth Gilbert Shaeffer, *Monitoring the Human Resource System*. The Conference Board, Report No. 717, 1977.

way. After all, so many things have changed during the period, why not the composition and duties of top management? So The Conference Board decided to try it one more time.

This report analyzes the results of a roughly integrated two-directional look at who comprises top management. In one, chief executives were asked to identify the members of their top management team as they see them today and as they anticipate the team's composition in the future. In the other, salary relationships among the highest earners in the company were analyzed.

The two analyses are pursued more or less independently. Chapter 2 explores "top management" as the chief executives themselves describe it when confidentiality and anonymity are assured. But another view of how CEO's think of "top management" can be derived from exploring chief executive behavior. This is done in Chapter 3 by analyzing the executive pay rankings they have established. The two analyses are not exactly comparable since the data were collected at different times from overlapping, but somewhat different, groups of companies. Also, subtle differences in the way the data were collected—explained in Chapter 3 where these differences become relevant to the discussion—lend tentativeness to some of the conclusions that might otherwise be drawn from the data.

There are, however, practical reasons for analyzing these two data samples, originally drawn for other purposes, as part of one study. The first is, of course, to satisfy executive curiosity. Do the two views agree? And if they do not, which is the "real" top management—the people the chief executive *says* are the top or the ones whom he *pays* the most?

There are also other and more compelling reasons. Management analysts and historians have suggested a fit between management systems and business strategies. In their view there are distinctive ways of organizing, planning, rewarding and controlling, which if chosen correctly and fitted together into a compatible management system will facilitate the successful implementation of particular growth strategies.[4]

If these management theorists are correct, patterns should appear in the data that suggest an association of top management staffing and reward systems with particular growth strategies.

In this study such patterns are indeed shown to exist in both top management staffing and reward systems. Moreover, staffing and reward system patterns emerge that are similar and consistent with one another—although not entirely the same. These patterns are associated with particular growth strategies and management approaches.

[4]This idea sprang from so many different heads that its true intellectual parent may never be known. The primary elements are noted as already familiar to experienced practitioners in the 1965 National Industrial Conference Board Report, *Top Management Organization in Divisonalized Companies*, cited earlier. However, the authors utilizing this line of thinking who probably have had the greatest impact on corporate audiences are Alfred D. Chandler in his work *Strategy and Structure; Chapters in the History of the Industrial Enterprise* (1962, M.I.T. Press) and Richard P. Rumelt in his thesis *Strategy, Structure and Economic Performance*. Harvard University Graduate School of Business Administration, Division of Research, 1974.

Chapter 2

Top Management: The Chief Executive's View

CHIEF EXECUTIVES will usually agree that "top management" consists of the select group of executives with major responsibility for charting the course of the company and for key decisions that affect the overall success of the firm. But when you pin them down by asking who that means within their own organization, the answers vary widely from company to company—and they do not necessarily follow the formal organization chart. Some CEO's regard only three to five of the company's executives as being in "top management." Others consider somewhere between six and ten executives to be in their top group. And still other CEO's say their top management group is considerably larger—including not only all the corporate officers, but also several additional executives who report to the CEO or to the chief operating officer (COO) and, sometimes, even an executive or two at a lower organization level.

What we are talking about, of course, is not some externally verifiable, objective count of the size and composition of the top management group. This is really a matter of how the chief executive conceptualizes the company and its prime movers. A new CEO in the very same company could consider several more or several fewer of the very same executives to be part of "top management."

The way a chief executive thinks about the company's top management group seems sure to influence how that CEO acts—including who is involved in different kinds of managerial decision making. Differing CEO perspectives on the size and composition of the top management group are, therefore, likely to yield important differences in how different companies are managed—and this, in turn, may affect the business outcomes they achieve.

The Conference Board Survey described in the box on page 14 asked the chief executives of most major U.S. corporations to describe the size and composition of their top management groups. The 432 responses were sufficient to allow us to analyze the data by very broad industry categories and also—for manufacturing, banks and insurance companies—by company size within such categories. The CEO's were also asked to look three to five years into the future, both in terms of expected changes in the size and composition of the top management group and also in terms of anticipated changes in the general outlook for the company that might influence their view of appropriate top management staffing.

Analysis of the data suggests that there may be four or five basic configurations or models of top management groups in major U.S. corporations. Moreover, these configurations seem to be relatively stable over the near term. Nonetheless, some anticipated changes in the general outlook for the company are more likely than others to be associated with a change of top management model.

How Big Is Top Management?

The surveyed companies are from a wide range of industries and, although they are all quite large, they vary considerably in size. One might, therefore, expect substantial variation in the size of the top management groups reported. This does not turn out to be the case. While there are some differences, the basic pattern is one of great similarity in the size of top managements across the different industry groupings and even in different sizes of companies within these groupings.

As Table 1 shows, just about half of the CEO's of the companies in each broad industry category say that, counting themselves, the top management group includes somewhere between six and ten executives. The median size of the top group in manufacturing, banks and utilities is eight executives; in insurance and retailing, the median size is seven.

About one-quarter of the CEO's report a larger top-management group—one comprised of eleven or more executives. But almost a quarter of the CEO's say that, even counting themselves, only three to five executives are in top management. Very large top managements, consisting of 16 or more executives, are somewhat more

About the Survey

In the Spring of 1981, The Conference Board conducted a personal survey of the chief executives of most major U.S. corporations on *Top Management Staffing*. An eight-page questionnaire was sent to all the CEO's of:

- The 1,000 largest manufacturing companies (*Fortune's* industrial lists);
- The 50 largest and the 101st to 150th largest banks (*Polk's* list);
- The 50 largest and the 101st to 150th largest insurance companies (*Best's* list);
- The 100 largest retailing companies (*Newsfront's* list on a nonduplicative basis);
- The 50 largest gas and electric utilities (*Fortune's* list).

Confidentiality and anonymity were assured in keeping with Conference Board policy. Most of the CEO's seem to have responded personally, although some had staff assistance in drafting their answers.

The distribution of respondents to the survey was:

	Number Responding	*Percent Responding*	*Percent of Total Response*
Manufacturers			
500 Largest	161	32%	37%
Next 500	138	28	32
Total	299	30%	69%
Banks			
50 Largest	21	42%	5%
50 Medium Large	19	38	4
Total	40	40%	9%
Insurance			
50 Largest	23	46	5%
50 Medium Large	19	38	4
Total	42	42%	10%
Retailing—100 Largest	27	27%	10%
Utilities—50 Largest	24	48%	6%
Total	432	32%	100%[a]

[a]Details do not add up to 100 percent due to rounding.

This response was sufficient to permit comparative analysis by broad industry categories and, in some instances (manufacturers, banks and insurance companies) by size of company within these broad industry categories. Further analysis of the responses received within each of these categories failed to reveal any important factors biasing the response, so it seems appropriate to generalize beyond the samples to the categories as a whole.

Further Information About The Conference Board's 1982 Staffing Research Program

The eight-page questionnaire used for the CEO survey has provided a wealth of information on many issues relating to top management staffing. Another Conference Board research report is now being prepared that covers the perspectives of these same 432 CEO's on the following topics: the key challenges the company will face during the next three to five years with respect to the top management group; planning for management succession and development; and choosing the next CEO.

More detailed research has already begun regarding: (1) the basic processes major U.S. companies are currently using in their management succession and development planning efforts, and (2) how well such planning efforts are attuned to the kinds of changes and challenges the CEO's foresee.

Two participative research seminars were conducted in Chicago and New York in November, 1981; others are planned for the Fall of 1982. A two-day conference on "Developing Managerial Effectiveness" was held in New York in January, 1982. A follow-on questionnaire dealing with more detailed management succession and development planning topics will be sent to major U.S. corporations during 1982.

prevalent in banks and manufacturing firms. Small top managements are somewhat more characteristic in retailing, possibly because a narrower range of functions needs to be managed in this kind of business or possibly because of the typically smaller size of retailing firms.

Size of company does influence the size of the top management group, but it generally makes a difference of only one or two executives. Table 2 shows that the median size for the top management groups in the largest companies is either eight or nine executives, while the median size in the medium-large companies is only six or seven. The largest manufacturing companies, the largest banks, and the largest insurance companies are much more likely to have 16 or more executives in top management than their medium-large counterparts are, but even for such giant companies a very large top management group represents an exception, not the general rule.

The Composition of the Top Management Group

The chief executive officer is, of course, always a member of top management. In about half of the companies his position is Chairman and CEO; in about 30 percent it is President and CEO; and in virtually all the others it is Chairman, President and CEO, all rolled into one. (See Table 3.)

A second general operating officer—someone who, like the CEO, focuses on the operation of the company *as a whole*—is often included in top management. About three-quarters of the companies have at least one other general operating officer on their top team; 16 percent have more than one. Depending upon the position held by the CEO, the other general operating officer(s) may be the company president, the chief operating officer, or the chairman of the board of directors. However, it is noteworthy that, at least from the CEO's viewpoint, the CEO's position generally does represent the pinnacle of the active top management group. In only one-third of

Table 1: The Size of the Top Management Group, by Industry

Number of Executives, Including the CEO	*Total Sample*	*Manufacturing*[1]	*Banks*[1]	*Insurance*	*Retailing*	*Utilities*
3-5	22%	20%	24%	22%	36%	17%
6-10	52	53	53	49	52	33
11-15	14	14	9	24	4	12
16 or more	12	13	15	5	8	8
Base	*393*	*269*	*34*	*41*	*25*	*24*
No answer (NA)	*39*	*30*	*6*	*1*	*2*	—
Median size of top management group[2]	8	8	8	7	7	8

[1]Details do not add to 100 percent because of rounding.
[2]Half of the companies are at or below the median; half are at or above it.

Table 2: The Size of the Top Management Group, by Size of Company

	Manufacturing		*Banks*		*Insurance*	
Number of Executives, Including the CEO	*500 Largest*	*Next 500*[a]	*50 Largest*	*50 Medium Large*	*50 Largest*	*50 Medium Large*[a]
3-5	17%	24%	11%	38%	26%	17%
6-10	45	60	50	56	43	56
11-15	20	9	17	—	22	28
16 or more	18	8	22	6	9	—
Base	*143*	*126*	*18*	*16*	*23*	*18*
No answer	*18*	*12*	*3*	*3*	—	*1*
Median size of top management group	9	7	8	6	8	7

[a]Details do not add to 100 percent because of rounding.

Table 3: Positions of the General Operating Officers Included in Top Management

	Percent of Companies
The CEO	100%
Chairman and CEO	51%
Chairman, President and CEO	17
President and CEO	31
Other	1
General Operating Officers who are not the CEO[1]	74%
Chairman	11%
President	51
Chief operating officer (not also chairman or president)	28
Base	*397*

[1]The details do not add to 74% because 16% of the companies include more than one such officer.

the companies in which the CEO holds the title of president but not of chairman, is the position of chairman regarded by the CEO as being in the top management group. In such a company, the chairman presumably plays an "elder statesman" role.

The top financial executive is even more commonly found in top management. The CEO's of 93 percent of the companies include such an executive in their top group.

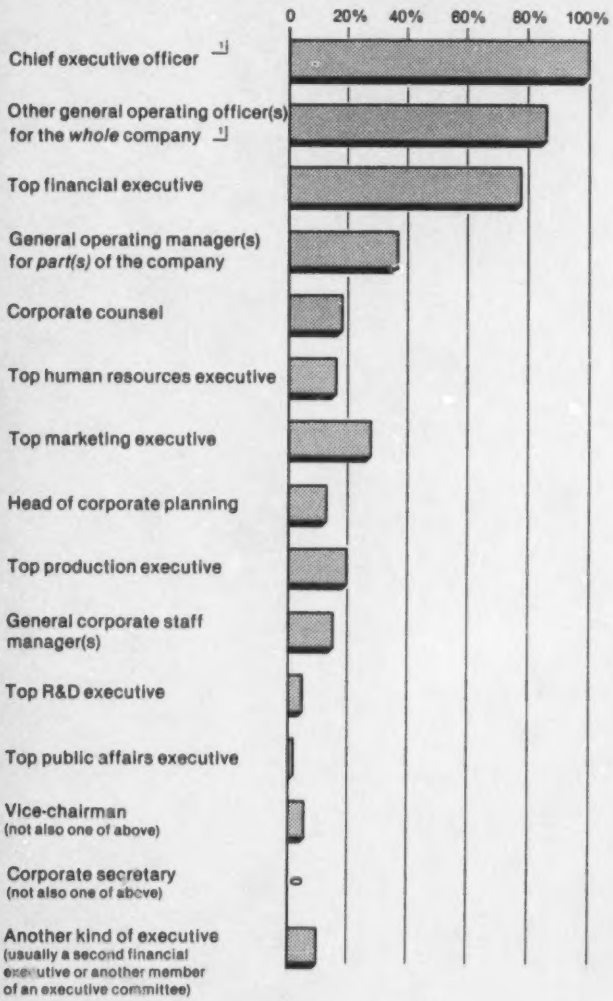
But once one gets beyond these three common members of virtually all top managements, there is considerable variation in the composition of the rest of the group. The inclusion of all other *kinds* of executives is, of

(text continued on page 18)

Chart 1: The Composition of Top Management When that Group Consists of Three to Five Executives

(Base = 78 companies)

Percent of companies in which this kind of executive is included in top management:


0
20%
40%
60%
80%
100%
Chief executive officer [1]
Other general operating officer(s) for the whole company [1]
Top financial executive
General operating manager(s) for part(s) of the company
Corporate counsel
Top human resources executive
Top marketing executive
Head of corporate planning
Top production executive
General corporate staff manager(s)
Top R&D executive
Top public affairs executive
Vice-chairman (not also one of above)
Corporate secretary (not also one of above)
Another kind of executive (usually a second financial executive or another member of an executive committee)

[1] Positions of the general operating officers included in top management:

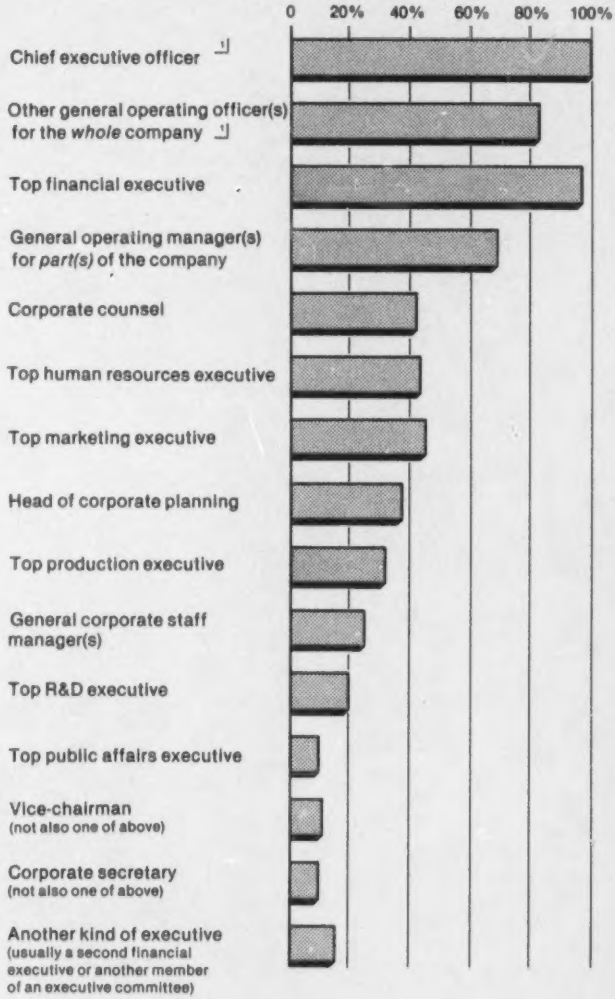
	Percent of Companies
The CEO	100%
Chairman and CEO	51%
Chairman, President and CEO	18
President and CEO	31
Other	—
General Operating Officers who are not CEO[a]	87%
Chairman	5%
President	49
Chief Operating Officer (not also chairman or president)	40

[a] The details do not add to 87% because 7% of the companies include more than one.

Chart 2: The Composition of Top Management When that Group Consists of Six to Ten Executives

(Base = 185 companies)

Percent of companies in which this kind of executive is included in top management:


0
20%
40%
60%
80%
100%
Chief executive officer [1]
Other general operating officer(s) for the whole company [1]
Top financial executive
General operating manager(s) for part(s) of the company
Corporate counsel
Top human resources executive
Top marketing executive
Head of corporate planning
Top production executive
General corporate staff manager(s)
Top R&D executive
Top public affairs executive
Vice-chairman (not also one of above)
Corporate secretary (not also one of above)
Another kind of executive (usually a second financial executive or another member of an executive committee)

[1] Positions of the general operating officers included in top management:

	Percent of Companies
The CEO	100%
Chairman and CEO	50%
Chairman, President and CEO	16
President and CEO	32
Other	2
General Operating Officers who are not CEO[a]	83%
Chairman	11%
President	50
Chief Operating Officer (not also chairman or president)	26

[a] The details do not add to 83% because 4% of the companies include more than one.

Chart 3: The Composition of Top Management When that Group Consists of Eleven to Fifteen Executives

(Base = 51 companies)

Percent of companies in which this kind of executive is included in top management:

0
20%
40%
60%
80%
100%
Chief executive officer [1]
Other general operating officer(s) for the whole company [1]
Top financial executive
General operating manager(s) for part(s) of the company
Corporate counsel
Top human resources executive
Top marketing executive
Head of corporate planning
Top production executive
General corporate staff manager(s)
Top R&D executive
Top public affairs executive
Vice-chairman (not also one of above)
Corporate secretary (not also one of above)
Another kind of executive (usually a second financial executive or another member of an executive committee)

[1] Positions of the general operating officers included in top management:

	Percent of Companies
The CEO	100%
Chairman and CEO	45%
Chairman, President and CEO	18
President and CEO	33
Other	4
General Operating Officers who are not CEO[a]	80%
Chairman	16%
President	49
Chief Operating Officer (not also chairman or president)	16

[a] The details do not add to 80% because 1% of the companies include more than one.

Chart 4: The Composition of Top Management When that Group Consists of Sixteen or More Executives

(Base = 46 companies)

Percent of companies in which this kind of executive is included in top management:

0
20%
40%
60%
80%
100%
Chief executive officer [1]
Other general operating officer(s) for the whole company [1]
Top financial executive
General operating manager(s) for part(s) of the company
Corporate counsel
Top human resources executive
Top marketing executive
Head of corporate planning
Top production executive
General corporate staff manager(s)
Top R&D executive
Top public affairs executive
Vice-chairman (not also one of above)
Corporate secretary (not also one of above)
Another kind of executive (usually a second financial executive or another member of an executive committee)

[1] Positions of the general operating officers included in top management:

	Percent of Companies
The CEO	100%
Chairman and CEO	60%
Chairman, President and CEO	15
President and CEO	25
Other	—
General Operating Officers who are not CEO[a]	84%
Chairman	15%
President	59
Chief Operating Officer (not also chairman or president)	28

[a] The details do not add to 84% because 18% of the companies include more than one.

(text continued from page 15)

course, constrained by the total number of executives the CEO is willing to include in the top group. But the representation of certain kinds of executives also varies considerably with the overall size of the top group, the CEO's report. It varies considerably by industry and by size of company, too.

The Composition of Different Sizes of Top Management Groups

Charts 1 through 4 show how the representation of various kinds of executives in the top management group varies with the overall size of the top group. With the exception of the other general operating officer(s), the various kinds of executives are listed in descending order based on their representation in top managements of all sizes, so variations from that general pattern in the top management groups of any particular size are readily observed. For example, the top marketing executive is somewhat more likely to be included in a small top management group than either the corporate counsel or the top human resources executive are, but because the top marketing executive is listed *after* these two other kinds of executives, it is plain that in most top management groups they are more likely to be present than is the top marketing executive.

The increase in the representation of certain kinds of executives is especially striking as one looks at successively larger top management groups, with some having very modest representation in the smallest top groups and virtually universal inclusion in the largest top groups. For example:

- General operating manager(s) in charge of *part(s)* of the company—from 37 percent to 98 percent representation, depending on the size of the top group.
- Corporate counsel—from 18 percent to 87 percent representation, depending on the size of the top group.
- Top human resources executive—from 17 percent to 80 percent representation, depending on the size of the top group.

Other kinds of executives that are represented in at least half of the largest top management groups are: general corporate *staff* manager(s); head of the corporate planning unit, top production executive, top public affairs executive, and top marketing executive. (It will be recalled that very large top management groups are more prevalent in the largest manufacturing corporations and the largest banks, but even there they are by no means the norm.)

The Composition of Top Management in Different Industries

Charts 5 through 9 show how the representation of various kinds of executives in the top management group varies depending upon which broad industry category the company is in. To facilitate comparisons, with the exception of the other general operating officer(s), the various kinds of executives are again listed in descending order based on their representation in *all* of the top managements studied. This general pattern is, of course, most heavily influenced by the manufacturing companies because they make up 69 percent of the sample. Certain terms that relate to the functions typically found in manufacturing companies and public utilities were used in the survey. For example, the terms "top production executive," "top marketing executive," and "top R&D executive" were used. Creative translation is obviously required to make these terms meaningful in banks, insurance companies, and retailing organizations. This translation was left to the CEO's themselves; a special follow-up by letter indicates they experienced no real difficulties with it. Thus, when these functional terms are used to describe top executive positions in banking, insurance and retailing, they should be interpreted as meaning "the closest thing there is to this kind of a functionary in this industry."[1]

As far as the top officers in the group go—the CEO and other general operating officer(s) for the *whole* company—there are some variations in their positions and in the prevalence of their representation by industry. In banks, utilities and retailing, over three-quarters of the CEO's hold the position of chairman, usually without also holding the position of president. But in insurance and in manufacturing, even though the chairmanship is held by a majority of the CEO's, there are many CEO's who hold the position of president without also being chairman of the board (45 percent in insurance and 32 percent in manufacturing). The fact that fewer of the CEO's in insurance and in manufacturing include another general operating officer for the *whole* company in their top management group suggests that this difference is a real one, not merely a matter of titling. A "president" CEO may be more oriented toward the *internal* affairs of the company than a "chairman" CEO, who focuses more on the *external* world.

Also, there are somewhat fewer top financial executives included in the top managements of banks. But most of the other top banking executives would probably also bring financial skills to the top management team.

However, the differences in the representation of some of the other kinds of executives in the top managements of different industries are more noteworthy. For example, *general* operating managers who are in charge of some business-related *part(s)* of the company, say, a vice

[1]For a discussion of the functional terminology used in banking see Allen R. Janger, *Corporate Organization Structures: Financial Enterprises*. Conference Board Report No. 631, 1974.

president in charge of the company's consumer products division (or the president of such a subsidiary) and another in charge of its industrial products division (or the president of that subsidiary), are much more likely to be included in the top management groups described by CEO's of manufacturing corporations (76 percent) and of banks (68 percent) than they are in those of insurance companies (58 percent), retailers (57 percent), or utilities (55 percent). This undoubtedly ties in with the known prevalence of divisionalized organization structures in these two broad industry categories.

The representation of the corporate counsel in top management also varies considerably by industry. It is high in manufacturing firms (52 percent), insurance companies (58 percent), and utilities (55 percent)—all industries that have been the object of recent major changes in the volume and character of regulation (occupational safety and health, environmental protection, energy) which have made them the targets for and the initiators of increased litigation. It is low in banks (29 percent) and in retailing (26 percent), where regulation has been more stable and less onerous.

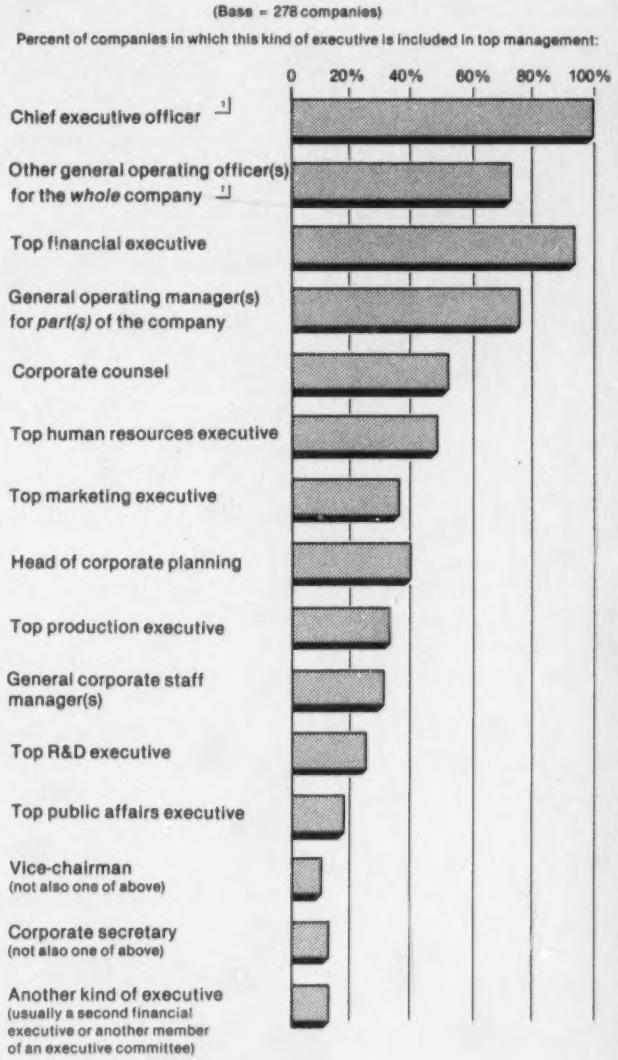
Inclusion of the top human resources executive in top management seems mainly related to whether or not the industry is heavily unionized, and to a lesser degree to whether the industry's operations are labor intensive. Higher representation of human resources executives in top management is found in retailing (52 percent) and manufacturing (49 percent) than in public utilities (41 percent), insurance (39 percent), and banking (32 percent).

The two top functional operating executives—the top production executive and the top marketing executive—have different patterns of representation in top management. The top marketing executive is much more likely to be included in top management in the insurance industry (86 percent) and least likely to be on the top team in the utilities (32 percent). The top production executive is most likely to be a member of top management in the utilities (63 percent) and less likely to be so in retailing (22 percent), insurance (22 percent), and banking (26 percent). These functional operating executives are about equally likely to be included in top management in manufacturing firms, but their relatively low representation (37 percent and 33 percent) underscores the tie-in with the divisionalized organization structure found in many of these companies.

Heads of corporate planning units vary in their representation in top management by industry, too—ranging from 18 percent in banks to 45 percent in utilities. However, these figures should not be considered reliable indicators of top-level interest in planning, because the corporate planning function might well be

(text continued on page 22)

Chart 5: The Composition of Top Management in Manufacturing Companies


(Base = 278 companies)
Percent of companies in which this kind of executive is included in top management:
0
20%
40%
60%
80%
100%
Chief executive officer [1]
Other general operating officer(s) for the *whole* company [1]
Top financial executive
General operating manager(s) for *part(s)* of the company
Corporate counsel
Top human resources executive
Top marketing executive
Head of corporate planning
Top production executive
General corporate staff manager(s)
Top R&D executive
Top public affairs executive
Vice-chairman (not also one of above)
Corporate secretary (not also one of above)
Another kind of executive (usually a second financial executive or another member of an executive committee)

[1] Positions of the general operating officers included in top management:

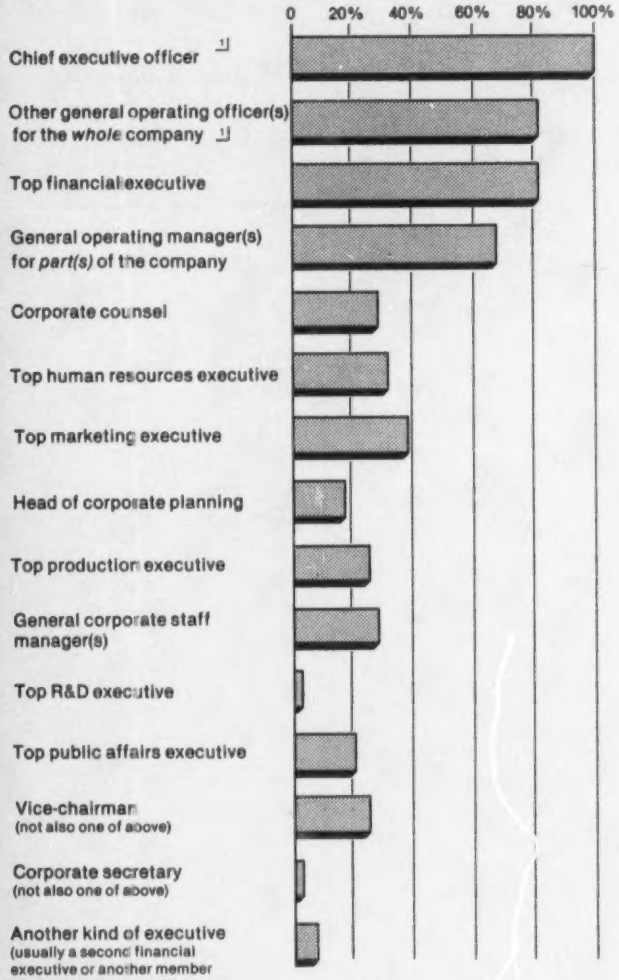
	Percent of Companies
The CEO	100%
Chairman and CEO	47%
Chairman, President and CEO	19
President and CEO	32
Other	2
General Operating Officers who are not CEO[a]	73%
Chairman	13%
President	49
Chief Operating Officer (not also chairman or president)	25

[a]The details do not add to 73% because 14% of the companies include more than one.

Chart 6: The Composition of Top Management in Banks

(Base = 38 companies)

Percent of companies in which this kind of executive is included in top management:


0
20%
40%
60%
80%
100%
Chief executive officer [1]
Other general operating officer(s) for the *whole* company [1]
Top financial executive
General operating manager(s) for *part(s)* of the company
Corporate counsel
Top human resources executive
Top marketing executive
Head of corporate planning
Top production executive
General corporate staff manager(s)
Top R&D executive
Top public affairs executive
Vice-chairman (not also one of above)
Corporate secretary (not also one of above)
Another kind of executive (usually a second financial executive or another member of an executive committee)

[1] Positions of the general operating officers included in top management:

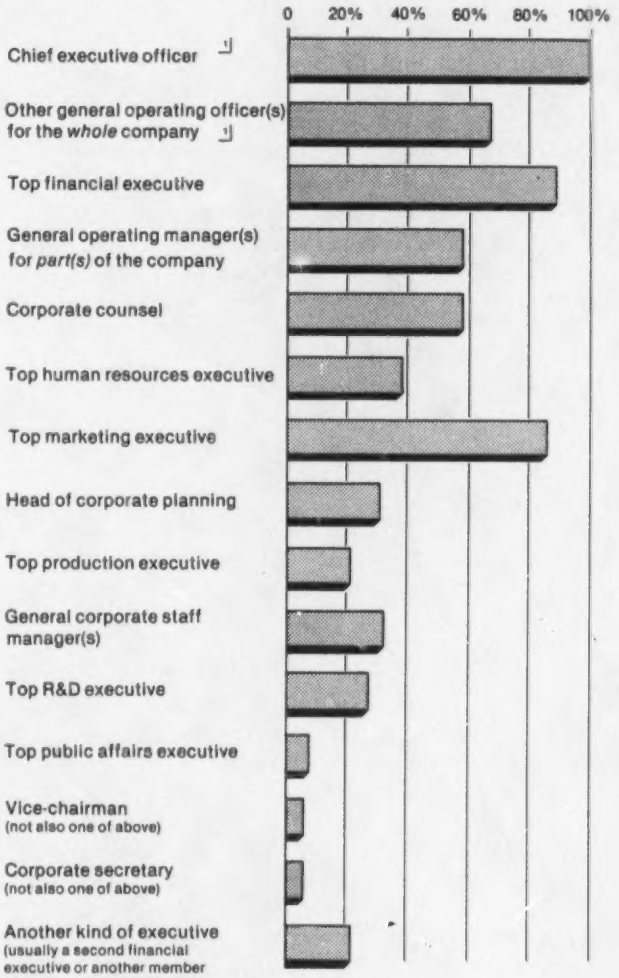
	Percent of Companies
The CEO	100%
Chairman and CEO	74%
Chairman, President and CEO	8
President and CEO	15
Other	3
General Operating Officers who are not CEO[a]	82%
Chairman	5%
President	66
Chief Operating Officer (not also chairman or president)	32

[a]The details do not add to 82% because 21% of the companies include more than one.

Chart 7: The Composition of Top Management in Insurance Companies

(Base = 36 companies)

Percent of companies in which this kind of executive is included in top management:


0
20%
40%
60%
80%
100%
Chief executive officer [1]
Other general operating officer(s) for the *whole* company [1]
Top financial executive
General operating manager(s) for *part(s)* of the company
Corporate counsel
Top human resources executive
Top marketing executive
Head of corporate planning
Top production executive
General corporate staff manager(s)
Top R&D executive
Top public affairs executive
Vice-chairman (not also one of above)
Corporate secretary (not also one of above)
Another kind of executive (usually a second financial executive or another member of an executive committee)

[1] Positions of the general operating officers included in top management:

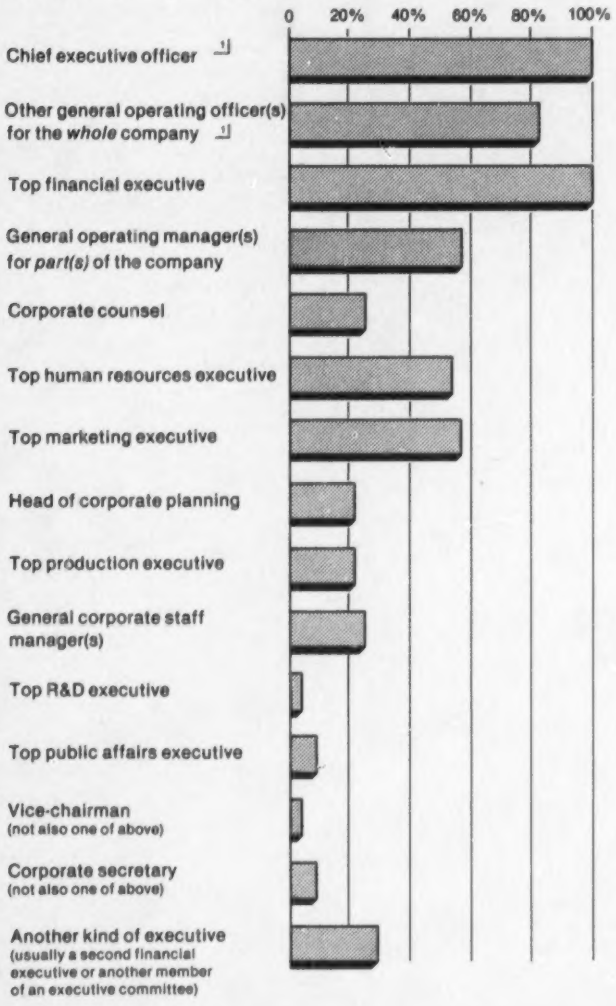
	Percent of Companies
The CEO	100%
Chairman and CEO	38%
Chairman, President and CEO	12
President and CEO	45
Other	5
General Operating Officers who are not CEO[a]	67%
Chairman	11%
President	31
Chief Operating Officer (not also chairman or president)	42

[a]The details do not add to 67% because 17% of the companies include more than one.

Chart 8: The Composition of Top Management in Retailing Firms

(Base = 23 companies)

Percent of companies in which this kind of executive is included in top management:


0
20%
40%
60%
80%
100%
Chief executive officer [1]
Other general operating officer(s) for the *whole* company [1]
Top financial executive
General operating manager(s) for *part(s)* of the company
Corporate counsel
Top human resources executive
Top marketing executive
Head of corporate planning
Top production executive
General corporate staff manager(s)
Top R&D executive
Top public affairs executive
Vice-chairman (not also one of above)
Corporate secretary (not also one of above)
Another kind of executive (usually a second financial executive or another member of an executive committee)

[1] Positions of the general operating officers included in top management:

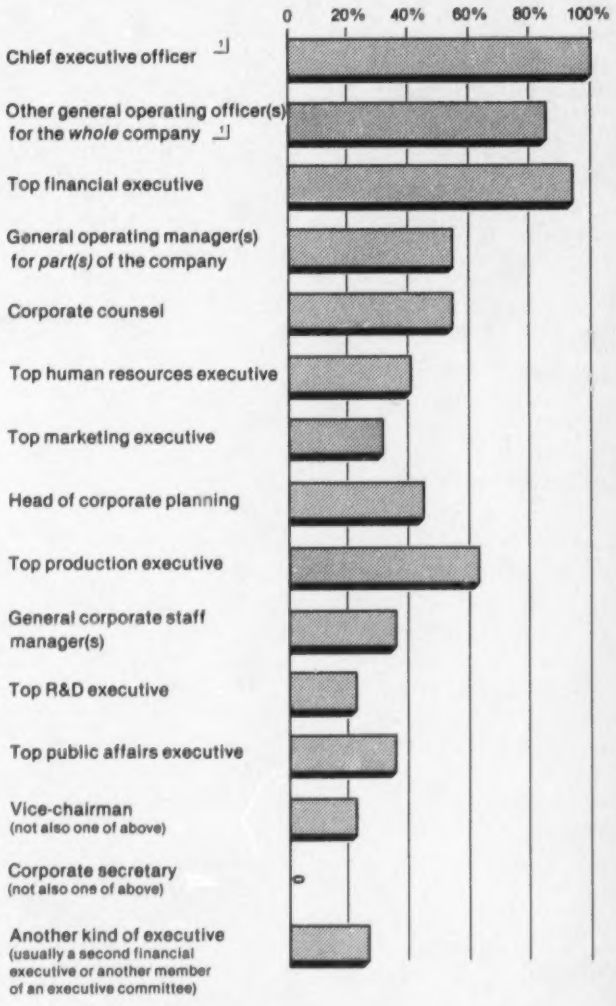
	Percent of Companies
The CEO	100%
Chairman and CEO	67%
Chairman, President and CEO	11
President and CEO	22
Other	—
General Operating Officers who are not CEO[a]	83%
Chairman	—
President	61
Chief Operating Officer (not also chairman or president)	35

[a]The details do not add to 83% because 13% of the companies include more than one.

Chart 9: The Composition of Top Management in Utilities

(Base = 22 companies)

Percent of companies in which this kind of executive is included in top management:


0
20%
40%
60%
80%
100%
Chief executive officer [1]
Other general operating officer(s) for the *whole* company [1]
Top financial executive
General operating manager(s) for *part(s)* of the company
Corporate counsel
Top human resources executive
Top marketing executive
Head of corporate planning
Top production executive
General corporate staff manager(s)
Top R&D executive
Top public affairs executive
Vice-chairman (not also one of above)
Corporate secretary (not also one of above)
Another kind of executive (usually a second financial executive or another member of an executive committee)

[1] Positions of the general operating officers included in top management:

	Percent of Companies
The CEO	100%
Chairman and CEO	75%
Chairman, President and CEO	17
President and CEO	8
Other	—
General Operating Officers who are not CEO[a]	86%
Chairman	5%
President	68
Chief Operating Officer (not also chairman or president)	32

[a]The details do not add to 86% because 19% of the companies include more than one.

(text continued from page 19)

headed by some other top management executive—the CEO, the top financial executive, or a general corporate staff manager.

In some industries certain kinds of executives are conspicuously absent from the top management group. Sometimes the reasons for this are obvious. There are, for example, very few R&D executives in the top managements of banks or of retailing firms. But sometimes the reasons are not immediately apparent. There are, for example, very few public affairs executives in top management in insurance companies or retailing firms.

How the Composition of Top Management Varies in Companies of Different Sizes

The number of manufacturing companies in the sample is sufficiently large so that it is appropriate to make comparisons between the composition of top managements in the largest firms and in the medium-large firms. In the two other industry categories in which a size break was attempted—banks and insurance companies—the much smaller sample sizes make such comparisons unreliable. It is preferable merely to note whether any differences between the largest and the medium-large companies are similar to those found by size of company in the manufacturing category.

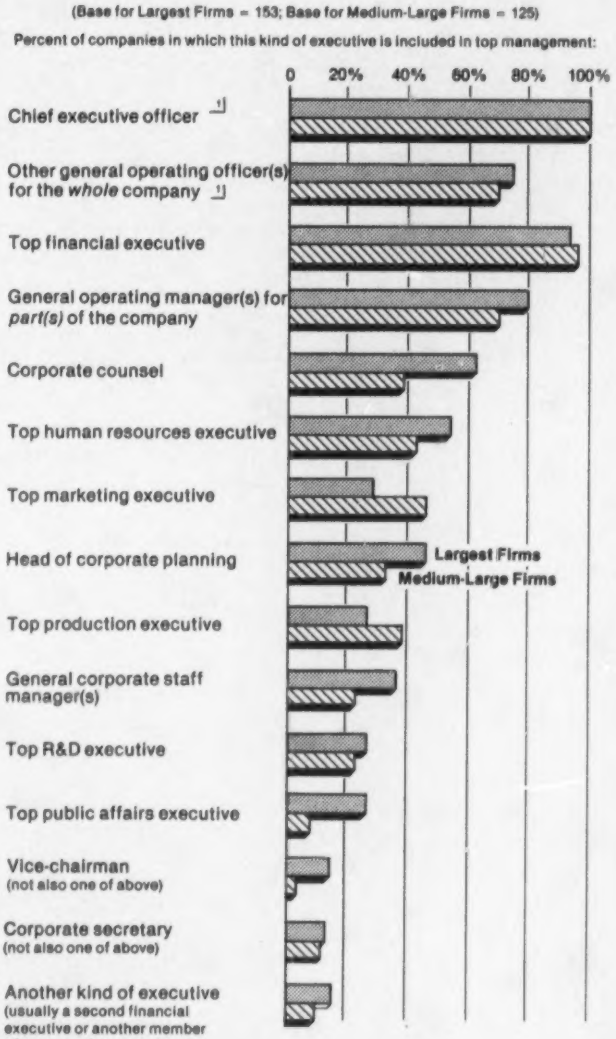
First of all, the top management groups in the largest companies generally include one or two more executives than those in the medium-large companies, so somewhat higher representations of most kinds of executives in the top managements of the largest companies are to be expected, as Charts 10 through 12 show. However, some of the differences found are too large to be explained in this way and some even run in the opposite direction from what is logically expected.

There are differences in the positions held by the general operating officers in the largest manufacturing companies and the medium-large ones. The CEO's of the largest companies are much more likely to be chairman of the board (75 percent) than their counterparts in medium-large manufacturers (54 percent), where the position of CEO and president (but not chairman) is much more common (43 percent in medium-large as against 23 percent in the largest). Of course, these differences in CEO's positions result in differences in the positions of the other general operating officer(s) too. (Similar differences in the positions of the general operating officers are found between the largest and the medium-large insurance companies, but not between banks of different sizes.)

When it comes to the other kinds of *operating* executives who are included, the top managements of large and medium-large manufacturers are also strikingly dif-

(text continued on page 24)

Chart 10: The Composition of Top Management in the Largest and Medium-Large Manufacturing Companies


(Base for Largest Firms = 153; Base for Medium-Large Firms = 125)
Percent of companies in which this kind of executive is included in top management:
0
20%
40%
60%
80%
100%
Chief executive officer [1]
Other general operating officer(s) for the *whole* company [1]
Top financial executive
General operating manager(s) for *part(s)* of the company
Corporate counsel
Top human resources executive
Top marketing executive
Head of corporate planning
Largest Firms
Medium-Large Firms
Top production executive
General corporate staff manager(s)
Top R&D executive
Top public affairs executive
Vice-chairman
(not also one of above)
Corporate secretary
(not also one of above)
Another kind of executive
(usually a second financial executive or another member of an executive committee)

[1] Positions of the general operating officers included in top management:

	Percent of Largest Companies	Percent of Medium-Large Companies
The CEO	100%	100%
Chairman and CEO	57%	36%
Chairman, President and CEO	18	18
President and CEO	23	44
Other	2	2
General Operating Officers who are not CEO	75%[a]	70%[b]
Chairman	8	18%
President	59%	38
Chief Operating Officer (not also chairman or president)	20	30

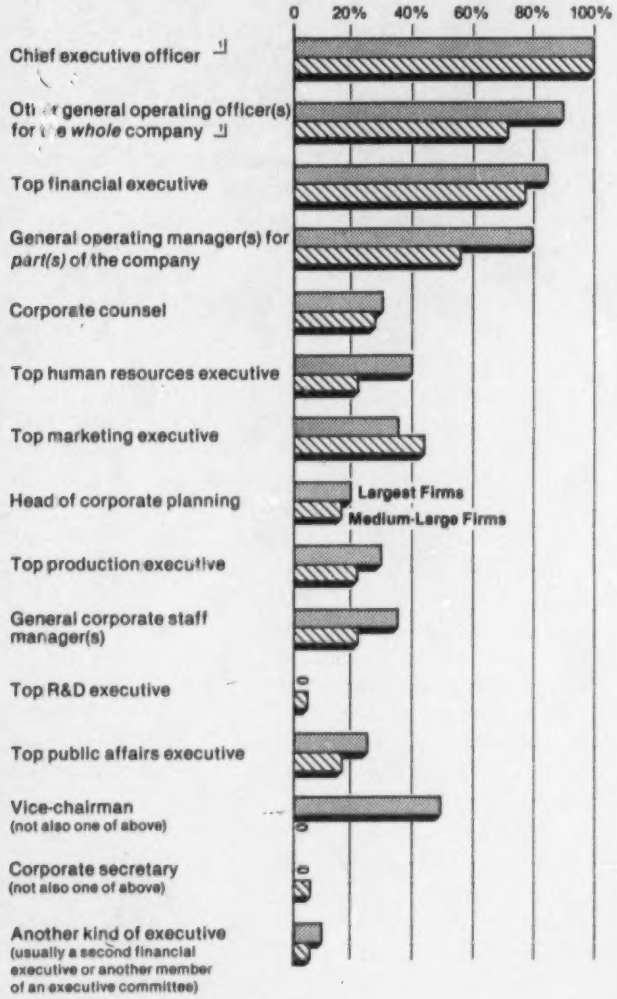
[a]The details do not add to 75% because 12% of the companies include more than one.

[b]The details do not add to 70% because 16% of the companies include more than one.

Chart 11: The Composition of Top Management in the Largest and Medium-Large Banks

(Base for Largest Banks = 20; Base for Medium-Large Banks = 18)

Percent of companies in which this kind of executive is included in top management:



[1] Positions of the general operating officers included in top management:

	Percent of Largest Companies	Percent of Medium-Large Companies
The CEO	100%	100%
Chairman and CEO	70%	79%
Chairman, President and CEO	10	5
President and CEO	15	16
Other	5	—
General Operating Officers who are not CEO	90%[a]	72%[b]
Chairman	10%	—
President	75	56%
Chief Operating Officer (not also chairman or president)	20	44

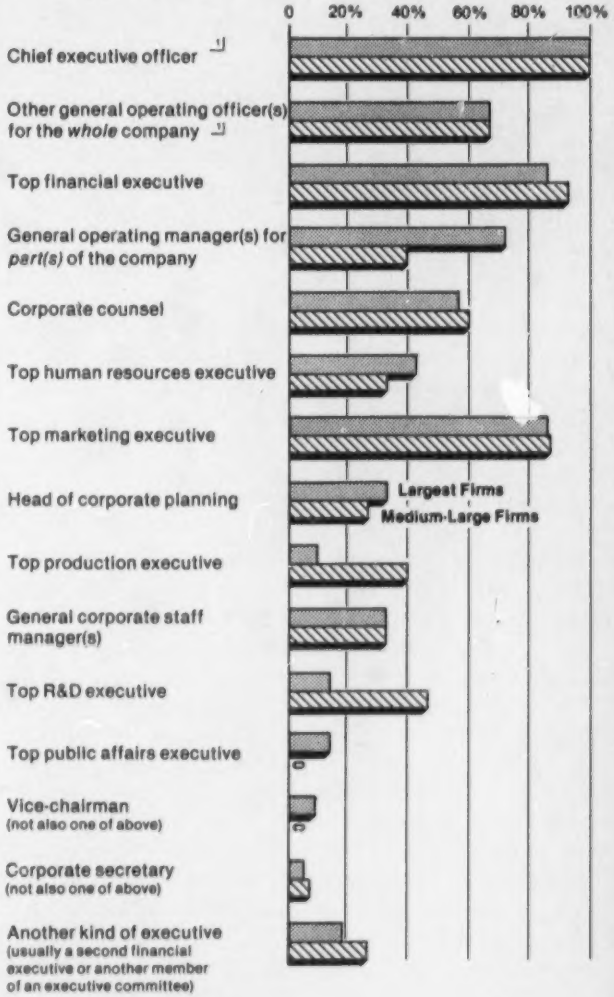
[a] The details do not add to 90% because 15% of the companies include more than one.

[b] The details do not add to 72% because 28% of the companies include more than one.

Chart 12: The Composition of Top Management in the Largest and Medium-Large Insurance Companies

(Base for Largest Companies = 21; Base for Medium-Large Companies = 15)

Percent of companies in which this kind of executive is included in top management:



[1] Positions of the general operating officers included in top management:

	Percent of Largest Companies	Percent of Medium-Large Companies
The CEO	100%	100%
Chairman and CEO	52%	21%
Chairman, President and CEO	9	16
President and CEO	39	53
Other	—	10
General Operating Officers who are not CEO	67%[a]	67%[b]
Chairman	—	27%
President	33%	27
Chief Operating Officer (not also chairman or president)	48	33

[a] The details do not add to 67% because 14% of the companies include more than one.

[b] The details do not add to 67% because 20% of the companies include more than one.

(text continued from page 22)

ferent from each other. The largest companies have a much *smaller* representation of the two *functional* operating executives—the top marketing executive and the top production executive. The top marketing executive's representation is 29 percent in the largest firms as against 46 percent in the medium-large firms. The top production executive's representation is 27 percent in the largest firms but 39 percent in the medium large. The largest companies also have a *larger* representation of *general* operating manager(s) for *part(s)* of the company in their top managements (80 percent in the largest; 70 percent in the medium large). All this is not surprising, for the largest U.S. manufacturing firms are known to be very likely to have divisionalized organization structures that would place the company's top *functional* operating executives within the divisions rather than at the corporate level.

(In the banking industry, the largest and the medium-large firms also have different mixes of operating executive representation. As in manufacturing, the top managements of the largest banks include (1) more *general* operating managers for *part(s)* of the company [80 percent compared to 56 percent in medium-large banks], and (2) fewer marketing executives [35 percent] than the medium-large banks do [44 percent]. But in this industry the representation of production executives seems to increase somewhat with company size [30 percent in the largest banks; 22 percent in the medium-large banks].

(In the insurance industry, the largest and the medium-large companies also have different mixes of operating executives in their top groups. As in manufacturing, the largest insurance companies include (1) more *general* operating managers for *part(s)* of the company [71 percent in the largest compared to 40 percent in the medium-large companies] and (2) fewer production executives [10 percent in the largest as against 40 percent in the medium-large firms]. But in this industry, the top marketing executives are apparently so important that, regardless of size of firm, they appear in 86 to 87 percent of the top groups.

(Such variations from the pattern found in manufacturing companies could be due to sampling problems, to the lack of direct relevance of the functional terminology used in the survey, or to special factors in the banking or insurance industries).

There are also differences in the top management representation of various corporate *staff* executives in the largest and the medium-large manufacturing companies. The corporate counsel is much more likely to be a member of top management in the largest firms (62 percent) than in the medium-large ones (39 percent). *General* staff executives and executives in charge of public affairs and of corporate planning are also considerably better represented on the largest companies' top teams than they are on those of medium-large manufacturers. (In the banking and insurance industries the representation of the corporate counsel does not vary much in firms of different sizes. But the other differences in the mix of *staff* executives in the top managements of the largest and the medium-large firms in these industries roughly parallel those in manufacturing.)

And in all three industries, vice chairmen—whatever their role may be—are clearly a big-company invention.

Different Models for Top Management

It is common knowledge that there are wide variations in how diversified the businesses of major U.S. companies are. In their annual reports and other official pronouncements, some companies describe themselves as single-business companies; some as being in several related businesses; and some as being in a number of unrelated businesses. Similarly, there seem to be important differences in the basic management strategies various top executives indicate they are following. Some speak of the management of one or more key operating functions, such as production or marketing; some talk of the management of businesses; and some emphasize the management of assets or resources.

Given these important differences in how the chief executives in different companies conceptualize both the economic shape of their organizations and their basic management strategies, it would seem likely that, to fit into a coherent, self-reinforcing system, the CEO's would also have quite different ideas of what configuration of executives would constitute an appropriate top management team. And, although the surveyed CEO's were not specifically asked to identify the general kind of top management group they had, the variations that have already been discussed in the size and composition of the top groups suggest that this may well be the case.

If form follows function, there would seem to be need for at least the following four distinct models of top management:

A Functional Managers Model
A Mix of Managers Model
A Business Managers Model
An Asset and Resource Managers Model

As shown in Exhibit 1, all four models would, of course, include the CEO as well as any other general operating officer(s) who deal with the company as a *whole*. The top financial executive and various other corporate *staff* executives would also be appropriate members of all four kinds of top groups. The distinctions among the four models are based on what other kinds of *operating managers*, if any, are also included in top management.

A Functional Managers Model

In addition to the top general operating officers and some corporate staff executives, this kind of top manage-

Exhibit 1: Top Management Models

Which Kinds of Executives Are Included?	*Functional Managers Model*	*Mix of Managers Model*	*Business Managers Model*	*Asset and Resource Managers Model*
CEO	Yes	Yes	Yes	Yes
Other General Operating Officer(s) for the *Whole* Company	Yes	Yes	Yes	Yes
Corporate Staff Executive(s), such as Top Financial Executive	Yes	Yes	Yes	Yes
Top Functional Operating Executive(s), such as Top Marketing Executive and/or Top Production Executive	Yes	Yes	No	No
General Operating Manager(s) for Business-Related *Part(s)* of the Company	No	Yes	Yes	No

ment group includes the *head(s) of some key operating function(s)*—such as the top production executive and/or the top marketing executive—but does *not* include any *general* operating managers who are in charge of businesses that make up *part(s)* of the company. Other things being equal, this is the kind of top management model one might expect to find if the CEO regards the company as being in one basic business and considers the most appropriate overall management strategy to be managing the key function(s) of that business. But other things are not always equal, and so some CEO's who conceptualize their companies in this way may still have valid reasons for using a different top management model.

All told, 20 percent of the top management groups described by the CEO's in this survey were consistent with a functional managers model. As shown in Chart 13, almost all do include two top general operating officers and the top financial executive. All, of course, also include either the top marketing executive or the top production executive. The majority include both, but the marketing executive is represented in 85 percent of these top managements and the production executive is represented in only 66 percent of them. Failure to include the current head of the production function does not, of course, mean that this function's viewpoint is missing at the top policymaking level, for one of the general operating officers may have a production background. (Also many of the companies that fit this model are in insurance and retailing, where the term "top production executive" requires translation into, say, "top operations executive"). With the exception of the top finanical executive, there are comparatively few corporate staff executives represented in this kind of top management group. This is undoubtedly related to the fact that, as shown in Table 4, while 65 percent of the top managements that fit a functional managers model include 6 to 10 executives, 30 percent are smaller, and only 5 percent are larger.

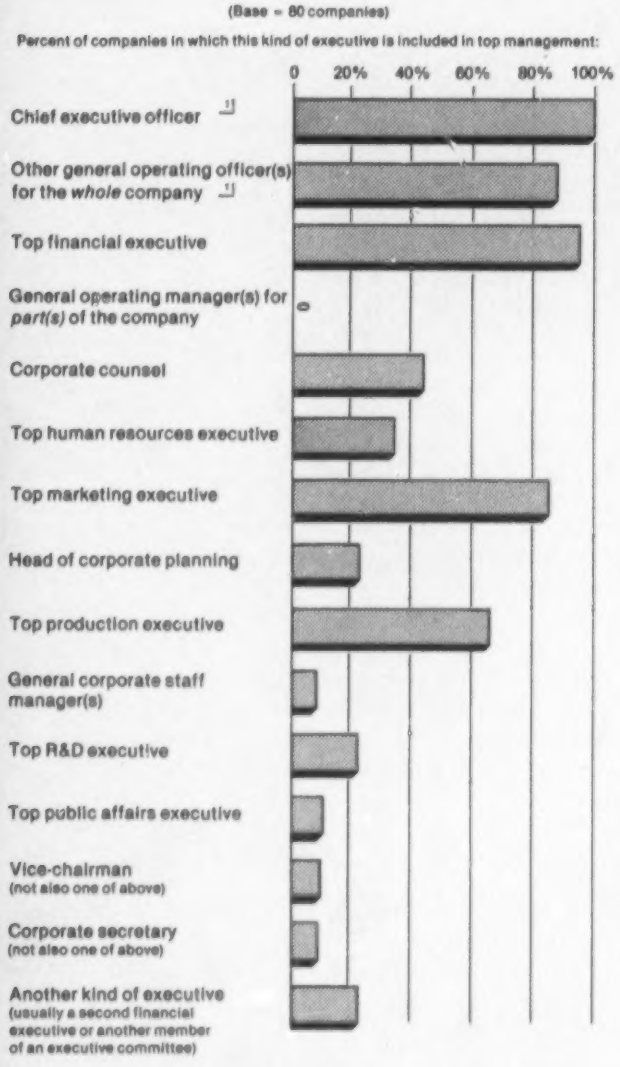
As indicated in Table 5, many of the top management groups described by CEO's in retailing (42 percent), insurance (39 percent), and utilities (36 percent) fit the functional managers model, but relatively few (15 percent) in manufacturing do. Moreover, it is plain—and logical—that the functional managers model is much more common in smaller companies.

A Mix of Managers Model

In addition to the top general operating officers and some top corporate staff executives, this kind of top management group includes *both* (1) the head(s) of some key operating function(s), and (2) some *general* operating manager(s) in charge of one or more businesses that make up *part(s)* of the company. This is the kind of top management model one might expect to find:

- If the CEO sees the company as being in a number of businesses that are closely related to one another in the sense of sharing some key characteristic. For example,

Chart 13. The Composition of Top Managements that Fit a Functional Managers Model


(Base = 80 companies)
Percent of companies in which this kind of executive is included in top management:
0
20%
40%
60%
80%
100%
Chief executive officer [1]
Other general operating officer(s) for the *whole* company [1]
Top financial executive
General operating manager(s) for *part(s)* of the company
Corporate counsel
Top human resources executive
Top marketing executive
Head of corporate planning
Top production executive
General corporate staff manager(s)
Top R&D executive
Top public affairs executive
Vice-chairman (not also one of above)
Corporate secretary (not also one of above)
Another kind of executive (usually a second financial executive or another member of an executive committee)

[1] Positions of the general operating officers included in top management:

	Percent of Companies
The CEO	100%
Chairman and CEO	56%
Chairman, President and CEO	11
President and CEO	32
Other	1
General Operating Officers who are not CEO[2]	88%
Chairman	11%
President	54
Chief Operating Officer (not also chairman or president)	43

[2] The details do not add to 88% because 20% of the companies include more than one.

the various businesses may share the same markets—and, therefore, sales forces and marketing staffs under a single top marketing executive whom the CEO includes in top management along with the heads of the businesses. Similarly, the various businesses might share production facilities and technology under a single top production executive whom the CEO includes in top management along with the business heads.

- If the CEO differentiates between the kind of management system needed in part of the company and that needed in the rest. For example, the CEO may see the company as consisting of a primary business that needs to be organized functionally along with peripheral businesses that need to be organized as separate businesses, and so wants to include both kinds of operating managers in the top group.
- If the CEO prefers a matrix form of top management in which the top production and marketing executives act as staff consultants to all the general operating managers.

A mix of managers model might even serve several of these purposes simultaneously. For example, a CEO might want to include both *general* operating managers and *functional* operating managers on the top team if he or she decided the U.S. part of the company should be organized functionally and the international operations should be run as separate businesses by country, in consultation with the heads of the U.S. operating functions. A mix of managers model might also exist as a temporary phenomenon (1) when a company has just acquired or merged with a company that was differently organized and the CEO had not yet completed the merger of the top management teams, or (2) when the CEO decided the company should shift from one top management model to another, but did not want to require some of the "old-model" top executives to retire.

All told, 31 percent of the top management groups described by CEO's in this survey fit a mix of managers model. As shown in Chart 14, almost all include two top general operating officers and the top financial executive. All, of course, also include: (1) either the top marketing or the top production executive (most included both), and (2) some general operating manager(s) for part(s) of the company. Other corporate staff executives also tend to be represented, especially the corporate counsel and the top human resources executive. This is not too surprising, for as noted in Table 4, those top management groups that fit the mix of managers model tend to be very large. Almost half include at least 11 executives and over one-fourth include 16 or more.

As indicated in Table 5, top management groups that fit the mix of managers model are especially prevalent in insurance companies (50 percent) and are least likely to be found in retailing (21 percent). There does not seem to be any strong relationship to size of firm in manufactur-

Table 4: The Size of the Top Management Groups that Fit Different Models

Number of Top Management Executives	*Total Sample*	*Functional Managers Model*	*Mix of Managers Model*[1]	*Business Managers Model*	*Asset and Resource Managers Model*
3-5	22%	30%	6%	17%	78%
6-10	52	65	46	56	19
11-15	14	4	22	16	3
16 or more	12	1	27	11	—
Base	*393*	*80*	*109*	*143*	*32*

[1]Details do not add to 100 percent because of rounding.

Table 5: Top Management Groups that Fit Different Models, by Industry and Size of Company

Kind of Group	*Total*	*Manufacturing*	*Banks*	*Insurance*	*Retailing*	*Utilities*
Functional Managers Model	20%	15%	21%	39%	42%	36%
Mix of Managers Model	31	29	34	50	21	32
Business Managers Model	40	47	34	8	33	23
Asset and Resource Managers Model	9	9	11	3	4	9
Base	*401*	*281*	*38*	*36*	*24*	*22*
No answer	*31*	*18*	*2*	*6*	*3*	*2*

	Manufacturing		*Banks*		*Insurance*	
Kind of Group	*500 Largest*	*Next 500*	*50 Largest*	*50 Medium Large*[1]	*50 Largest*	*50 Medium Large*
Functional Managers Model	9%	22%	10%	33%	28%	53%
Mix of Managers Model	25	33	55	11	62	33
Business Managers Model	55	37	25	44	10	7
Asset and Resource Managers Model	10	8	10	11	—	7
Base	*155*	*126*	*20*	*18*	*21*	*15*
No answer	*6*	*12*	*1*	*1*	*2*	*4*

[1]Details do not add to 100 percent because of rounding.

ing, but in banks and insurance companies top groups that fit this model are much more likely to be found in the largest firms.

A Business Managers Model

In addition to the top general operating officers for the company as a *whole* and some corporate staff executives, this kind of top management group includes some *general* operating manager(s) in charge of one or more businesses that make up *part(s)* of the company. But there are *no functional* operating managers included. This is the kind of top management model one might expect to find if the CEO thinks of the company as made up of two or more distinct sets of businesses, which might or might not be somewhat related to one another. The businesses might be home-grown or acquired, and if they did not relate directly to one another, they still might be related to some overall corporate design. The CEO's overall management strategy would probably focus on the appropriate management of the key businesses, and there could be some interchange of ideas, technology, personnel and financial assets among the businesses through the use of an executive committee made up of the heads of various businesses.

All told, 40 percent of the top management groups described by CEO's in the survey fit a business managers model. As shown in Chart 15, they are less likely than the top managements fitting other models are to include a second general operating officer, but 52 percent do so and 91 percent include the top financial executive. All, of course, include general operating managers in charge of groups of businesses, divisions, subsidiaries or other *parts* of the company that are organized on a business basis. There is moderate representation of other corporate staff executives, such as the corporate counsel (48

(text continued on page 29)

Chart 14: The Composition of Top Managements that Fit a Mix of Managers Model

(Base = 123 companies)

Percent of companies in which this kind of executive is included in top management:

0
20%
40%
60%
80%
100%
Chief executive officer [1]
Other general operating officer(s) for the *whole* company [1]
Top financial executive
General operating manager(s) for *part(s)* of the company
Corporate counsel
Top human resources executive
Top marketing executive
Head of corporate planning
Top production executive
General corporate staff manager(s)
Top R&D executive
Top public affairs executive
Vice-chairman (not also one of above)
Corporate secretary (not also one of above)
Another kind of executive (usually a second financial executive or another member of an executive committee)

[1] Positions of the general operating officers included in top management:

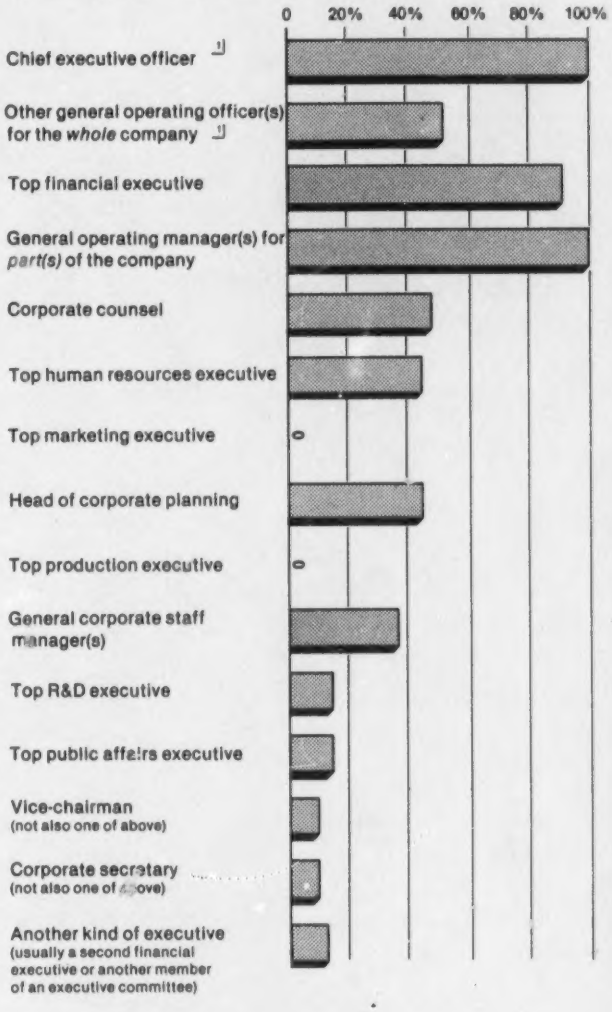
	Percent of Companies
The CEO	100%
Chairman and CEO	53%
Chairman, President and CEO	13
President and CEO	32
Other	2
General Operating Officers who are not CEO[a]	85%
Chairman	11%
President	52
Chief Operating Officer (not also chairman or president)	24

[a]The details do not add to 85% because 2% of the companies include more than one.

Chart 15: The Composition of Top Managements that Fit a Business Managers Model

(Base = 161 companies)

Percent of companies in which this kind of executive is included in top management:


0
20%
40%
60%
80%
100%
Chief executive officer [1]
Other general operating officer(s) for the *whole* company [1]
Top financial executive
General operating manager(s) for *part(s)* of the company
Corporate counsel
Top human resources executive
Top marketing executive
Head of corporate planning
Top production executive
General corporate staff manager(s)
Top R&D executive
Top public affairs executive
Vice-chairman (not also one of above)
Corporate secretary (not also one of above)
Another kind of executive (usually a second financial executive or another member of an executive committee)

[1] Positions of the general operating officers included in top management:

	Percent of Companies
The CEO	100%
Chairman and CEO	45%
Chairman, President and CEO	22
President and CEO	31
Other	2
General Operating Officers who are not CEO[a]	52%
Chairman	11%
President	45
Chief Operating Officer (not also chairman or president)	20

[a]The details do not add to 52% because 24% of the companies include more than one.

(text continued from page 27)

percent) and the top human resources executive (45 percent), and relatively high representation for the head of corporate planning (45 percent). This fits in with the fact (as shown in Table 4), that those top managements organized along the lines of a business managers model tend to be slightly larger than average. Over half include six to ten executives and 27 percent are larger. (But the mix of managers model tends to be even larger.)

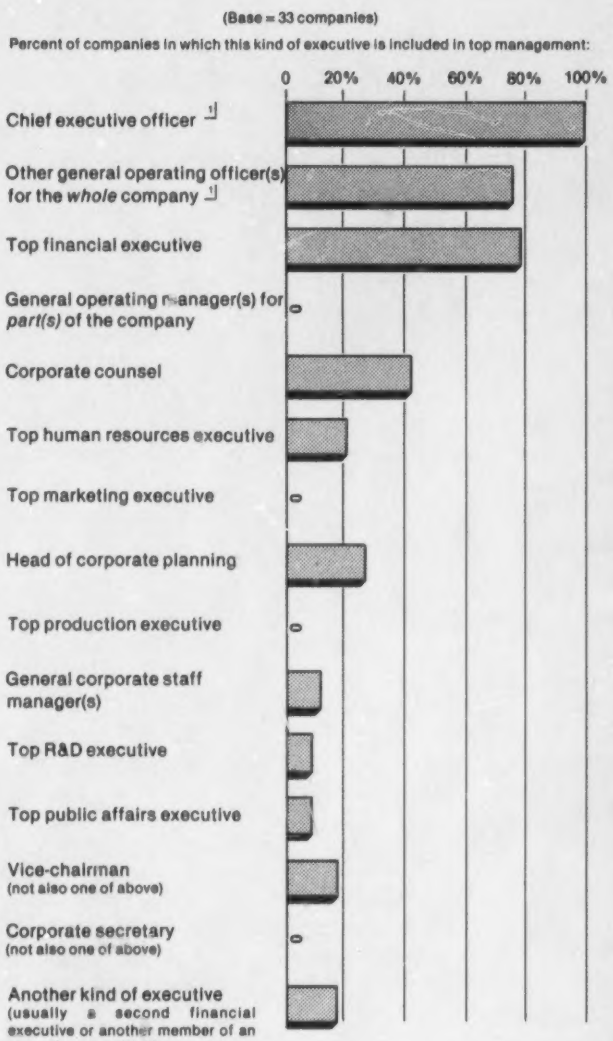
As indicated in Table 5, top management groups that fit a business managers model are most prevalent in manufacturing (47 percent of the companies). The form is extremely rare in insurance companies (8 percent) and not very common in utilities (23 percent). As to the impact of firm size, this is clearly the model preferred by the CEO's of the largest manufacturing companies (55 percent) compared to its use by only 37 percent of the CEO's in the medium-large firms. By contrast, a business managers model appears to be more common in medium-large banks (44 percent) than in the largest ones (25 percent), but the sample sizes are too small to place great reliance on these figures. So few of the top managements in insurance companies fit this model that it is not possible to consider what relevance size of firm has.

An Asset and Resource Managers Model

Only the top general operating officers for the *whole* company and some corporate staff executives are included in this kind of top management group. There are *no* general operating managers in charge of businesses that are *part(s)* of the company included, and nor are there any functional operating managers included. This is the kind of top management model one would expect to find in a company whose CEO regards it as an agglomeration of free-standing, unrelated businesses—especially if these were obtained by acquisition and could just as readily be divested—and whose CEO considers the appropriate top management strategy to be the management of assets. Usually financial assets are the ones referred to, but other scarce natural, technological or human resources might also be controlled by the company. This might, however, also be the management model preferred by the entrepreneur of a smaller firm who, together with one other general operating officer for the whole company, *personally* handles all the functional and business-related aspects of managing the firm and who, therefore, only needs the assistance of some resource manager(s), like a top financial executive, a top human resources executive, and/or, possibly, a top R&D executive.

All told, only 9 percent of the top management groups described by CEO's in this survey fit an asset and resource managers model. As shown in Chart 16, this kind of top management group generally includes two general operating officers, although sometimes there are three or more, and it also generally includes the top

Chart 16: The Composition of Top Managements that Fit an Asset and Resource Managers Model


(Base = 33 companies)
Percent of companies in which this kind of executive is included in top management:
0
20%
40%
60%
80%
100%
Chief executive officer [1]
Other general operating officer(s) for the *whole* company [1]
Top financial executive
General operating manager(s) for *part(s)* of the company
Corporate counsel
Top human resources executive
Top marketing executive
Head of corporate planning
Top production executive
General corporate staff manager(s)
Top R&D executive
Top public affairs executive
Vice-chairman (not also one of above)
Corporate secretary (not also one of above)
Another kind of executive (usually a second financial executive or another member of an executive committee)

[1] Positions of the general operating officers included in top management:

	Percent of Companies
The CEO	100%
Chairman and CEO	74%
Chairman, President and CEO	9
President and CEO	17
Other	—
General Operating Officers who are not CEO[a]	76%
Chairman	6%
President	70
Chief Operating Officer (not also chairman or president)	45

[a] The details do not add to 76% because 45% of the companies include more than one.

financial executive. The corporate counsel is the only other executive with moderate representation. There are, of course, no general operating managers of parts of the company included in the top group, and there are no functional operating executives included either. The low representation of the top human resources and R&D executives suggests that the CEO's in these companies are strongly emphasizing the management of financial assets, not other kinds of resources. As shown in Table 4, the vast majority of the top management groups that fit an asset and resource managers model are very small. Over three-quarters of them include only three to five executives.

The asset and resource managers model of top management is not prevalent in any industry grouping, but it is conspicuous by its almost total absence in insurance and retailing (see Table 5). There does not seem to be any difference in its use by CEO's in companies of different sizes, quite possibly because it is not possible to differentiate between the two distinct versions—a small-company using resource managers and a large-company using asset managers.

What of the Future?

Because it seemed so relevant to any consideration of how top management might change over the next three to five years, the surveyed CEO's were asked to describe the general outlook for their company during that time period. As shown in Table 6, change—not stability—is the basic outlook. The vast majority (92 percent) of the CEO's expect important changes for their company during the next three to five years, and most expect two or three different kinds of changes:

- Half of the CEO's expect an important merger, acquisition or divestiture for their company. This is an especially prevalent view in banks (64 percent) and in medium-large manufacturing companies (59 percent). (There is, of course, no indication as to which firms will do the acquiring and which will be the ones that are gobbled up.)
- Forty percent of the CEO's expect a major improvement in real profitability. More of the CEO's in retailing (57 percent) and in the largest manufacturing firms (49 percent) were this sanguine; fewer CEO's in banks (21 percent), insurance (23 percent), or utilities (32 percent) expect such profit improvement. CEO's of medium-large banks seem especially pessimistic about their profit outlook.
- Just about 40 percent of the CEO's expect much greater diversification of their company's businesses in the next three to five years. This is an especially prevalent view in the largest banks (71 percent) and the largest insurance companies (50 percent) but is seen as much less likely by the CEO's of medium-large insurance firms (18 percent).
- Over one-third of the CEO's expect important change(s) in basic technology for their company in the forecast period. This view is especially prevalent among the CEO's of both the largest (67 percent) and the medium-large banks (50 percent). It is seen as much less likely to happen in retailing (13 percent) and in the large insurance companies (23 percent).
- About 30 percent of the CEO's expect a major change in overall corporate growth (in real terms) for their company, but so few CEO's in medium-large banks have this expectation (17 percent) that one can only assume many expect to be acquired.
- Over 10 percent of the CEO's expect a major reorganization of their whole company within the next three to five years. This runs somewhat higher (16 to 19 percent) for the largest banks, the medium-large insurance companies, and in retailing.

The surveyed CEO's were also asked to predict how their company's employment would change over the next three to five years, both within the United States and in other countries.

- Total U.S. employment in the *combined* surveyed companies is expected to grow only 6 percent over the forecast period. The medium-large manufacturing firms expect 23 percent growth in U.S. employment; the retailers 22 percent growth; the largest banks 18 percent growth; and the medium-large banks 13 percent growth. But this is offset by the 5 percent *drop* in U.S. employment that is expected in both the largest insurance companies and the utilities, and by the fact that the largest manufacturing companies expect their U.S. employment to hold steady.
- Employment outside the United States is expected to grow at a somewhat higher rate than U.S. employment in the manufacturing companies and in the banks surveyed. The medium-large firms in both of these categories expect *substantial* employment growth outside the United States, but they are, of course, starting from a much lower base than their larger counterparts.

Who Will Be In Top Management?

Stability—not change—is what most of the CEO's foresee for their top management group over the next three to five years. (Although a few who had provided information on the present top management group were unwilling to speculate about the future (7 percent), the vast majority (93 percent) were able to describe the size and composition of their future top group.) Little change is expected in the size or basic configurations of the groups, and only a few specific kinds of executives are somewhat more likely to be included. Thus, while there will undoubtedly be some new faces in the top groups, they will largely be replacements for executives with comparable positions.

Table 6: The General Outlook for the Company over Three to Five Years, by Industry

Expected Changes[1]	*Total*	*Manufacturing*	*Banks*	*Insurance*	*Retailing*	*Utilities*
Much greater diversification of the company's business(es)	39%	37%	59%	36%	30%	46%
Much less diversification of the company's businesses	6	8	—	5	9	—
Important merger/acquisition/divestiture(s)	51	54	64	39	44	32
A major reorganization of the whole company	12	11	15	15	17	—
A major increase in operations outside the United States	18	23	5	—	13	9
A major decrease in foreign operations	1	1	—	—	4	—
Important change(s) in basic technology	34	33	59	28	13	27
A major change in overall corporate growth (in real terms)	31	30	26	38	39	32
A major improvement in real profitability	40	45	21	23	57	32
Other important change(s) (specify)	7	6	8	13	9	9
None of the above	8	7	10	13	4	14
Base[2]	*415*	*292*	*39*	*39*	*23*	*22*
Average number of mentions	**2.5**	**2.5**	**2.6**	**2.0**	**2.4**	**1.9**

[1]The questionnaire asked: "As CEO, do you foresee important changes of any of the following kinds for the company during the next 3-5 years? (Check as many as apply.)
[2]Percentages add to more than 100 percent because of multiple responses.

	Manufacturing		*Banks*		*Insurance*	
Expected Changes	*500 Largest*	*Next 500*	*50 Largest*	*50 Medium Large*	*50 Largest*	*50 Medium Large*
Much greater diversification of the company's business(es)	33%	42%	71%	44%	50%	18%
Much less diversification of the company's businesses	7	8	—	—	9	—
Important merger/acquisition/divestiture(s)	49	59	57	72	41	35
A major reorganization of the whole company	11	11	19	11	14	18
A major increase in operations outside the United States	23	22	5	6	—	—
A major decrease in foreign operations	1	1	—	—	—	—
Important change(s) in basic technology	38	28	67	50	23	35
A major change in overall corporate growth (in real terms)	30	29	33	17	41	35
A major improvement in real profitability	49	40	33	6	27	18
Other important change(s) (specify)	5	6	5	11	9	18
None of the above	8	5	10	11	9	18
Base	*158*	*134*	*21*	*18*	*22*	*17*
Average number of mentions	**2.5**	**2.5**	**3.2**	**2.1**	**2.2**	**1.8**

As Table 7 indicates, there is some tendency for the smaller top management groups to increase in size, but this is usually only by adding one executive. And it is only in retailing and in manufacturing that enough firms expect to change the size of their top management group to raise the median size of all the groups by one executive. In retailing, the median size increases from seven to eight. In manufacturing, the median size goes from eight to nine, with the median for the 500 largest companies going from nine to ten and for the 500 next largest companies going from seven to eight.

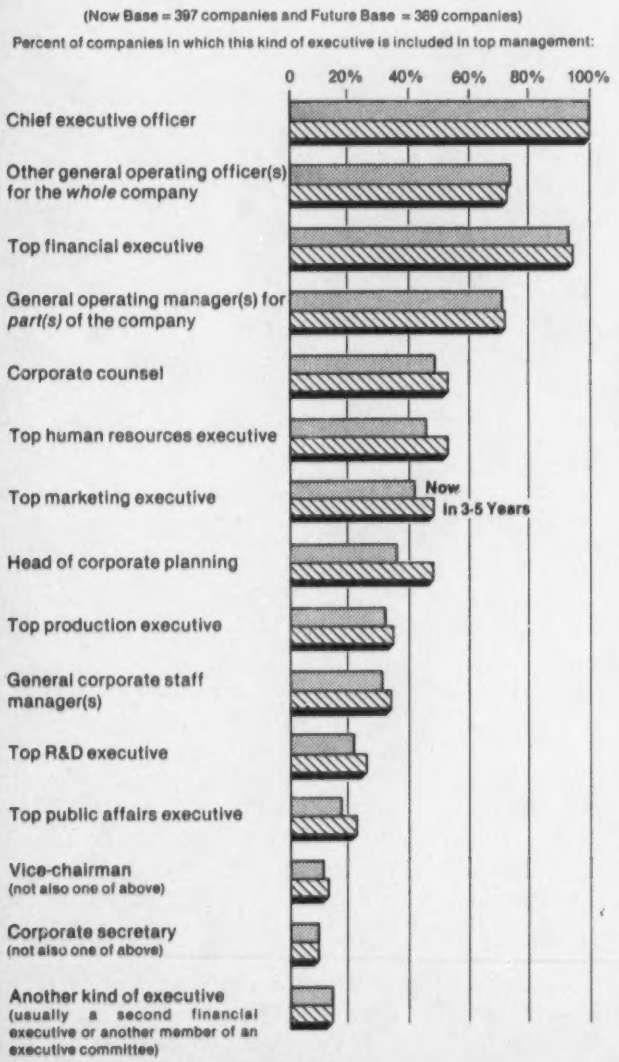
There are no major unheavals in the representation of different kinds of executives in the top managements of the future either. Indeed, as Chart 17 shows, the "pecking order" based on the proportion of companies including a particular kind of executive in top management does not change in the slightest, and no particular kind of executive suffers any real decline in representation. However, a few kinds of executives can look forward to some increase in their numerical representation, although there is no change in rank order. In 14 percent of the companies there is likely to be a third general operating officer added—either as president or as COO. The head of the corporate planning unit is somewhat more likely to be included in the top group (48 percent in the future compared to 36 percent now), as are the top human

Table 7: The Size of Top Management Now and in Three to Five Years, by Industry

Number of Executives	Total Sample		Manufacturing		Banks		Insurance		Retailing		Utilities	
	Now	In 3-5 Years[1]	Now	In 3-5 Years[1]	Now	In 3-5 Years[1]	Now	In 3-5 Years	Now	In 3-5 Years[1]	Now	In 3-5 Years
3-5	22%	14%	20%	12%	24%	7%	22%	26%	36%	23%	17%	17%
6-10	52	55	52	54	53	73	49	57	52	50	63	54
11-15	14	16	14	16	9	13	24	14	4	14	12	21
16 or more	12	14	13	18	15	7	5	3	8	14	8	8
Base	*393*	*373*	*269*	*262*	*34*	*30*	*41*	*35*	*25*	*22*	*24*	*24*
No Answer	*39*	*59*	*30*	*37*	*6*	*10*	*1*	*7*	*2*	*5*	—	—
Median size	**8**	**8**	**8**	**9**	**8**	**8**	**7**	**7**	**7**	**8**	**8**	**8**

[1]Details do not add to 100 percent because of rounding.

Chart 17: The Composition of Top Management Now and in Three to Five Years


(Now Base = 397 companies and Future Base = 369 companies)
Percent of companies in which this kind of executive is included in top management:
0
20%
40%
60%
80%
100%
Chief executive officer
Other general operating officer(s) for the *whole* company
Top financial executive
General operating manager(s) for *part(s)* of the company
Corporate counsel
Top human resources executive
Top marketing executive
Now
In 3-5 Years
Head of corporate planning
Top production executive
General corporate staff manager(s)
Top R&D executive
Top public affairs executive
Vice-chairman
(not also one of above)
Corporate secretary
(not also one of above)
Another kind of executive
(usually a second financial executive or another member of an executive committee)

resources executive (53 percent in the future compared to 46 percent now), and the top marketing executive (49 percent compared to 42 percent now).

In keeping with a slight increase in the overall size of the top group, the corporate counsel and certain other executives will also be sightly more likely to be represented. There are some minor variations on this basic theme when the data are analyzed by size of the top management group, by industry, and by company size within an industry. For example, the representation of the corporate counsel in retailing is expected to increase substantially (43 percent in the future compared to 26 percent now). But the only new note that is added occurs in banking. There, as befits a situation in which major technological change is expected, a fairly substantial increase in the representation of the top production executive is planned (37 percent future compared to 26 percent now).

However, when the data are analyzed on the basis of top management models, some of the seemingly minor changes expected in the composition of the top management groups take on somewhat greater significance. As shown in Table 8, the proportion of companies whose future top management group fits a business managers model is only 34 percent, compared to the 40 percent that do so now. And the proportion whose future top group fits a mix of managers model is expected to rise to 39 percent from the present 31 percent. This kind of a shift is found in manufacturing companies (both the largest and the medium-large ones), in banks, and in retailing firms. Virtually no change of model occurs in insurance companies or in utilities.

To study the dynamics of the expected changes in management models, the data from the 367 companies whose CEO's described the composition of *both* their present top management group and their future top management group have been arrayed in a four-by-four matrix showing the top management models these descriptions fit now and in the future. (See Exhibit 2.) As the large numbers in the diagonal boxes show, in 84 percent of the companies the future top management models

Table 8: Inferred Top Management Models Now and in Three to Five Years, by Industry

Inferred Model	Total Sample		Manufacturing		Banks		Insurance		Retailing		Utilities	
	Now	In 3-5 Years	Now	In 3-5 Years[1]	Now	In 3-5 Years	Now	In 3-5 Years[1]	Now	In 3-5 Years[1]	Now	In 3-5 Years[1]
Functional Managers Model ..	20%	19%	15%	13%	21%	26%	39%	31%	42%	45%	36%	33%
Mix of Managers Model	31	39	29	37	34	43	50	54	21	36	32	33
Business Managers Model....	40	34	47	40	34	23	8	11	33	18	23	24
Asset and Resource Managers Model	9	8	9	9	11	8	3	3	4	—	9	9
Base	*401*	*373*	*281*	*260*	*38*	*35*	*36*	*35*	*24*	*22*	*22*	*21*
No Answer	*31*	*59*	*18*	*39*	*2*	*5*	*6*	*7*	*3*	*5*	*2*	*3*

[1]Details do not add to 100 percent because of rounding.

match their present top management models. But there will be a switch to a different model in the other 16 percent.

One way to tease out some of the underlying factors that might influence a CEO's decision to switch to a different top management model is to analyze the proportions of CEO's who expect different kinds of substantive changes for the company as a whole, based on whether the CEO's are "switchers" or "stayers" by management models. Table 9 indicates that more of the CEO's who "switched" models indicated on the questionnaire that they expected:

- Much greater diversification of the company's business(es)
- Important merger/acquisition/divestiture(s)
- A major reorganization of the whole company
- A major increase in operations outside the United States.

and fewer of these "switchers" expected:

- Much less diversification of the company's businesses
- Important changes in basic technology.

All this seems reasonable, and the overall pattern is undoubtedly significant even though the observed percentage differences for each separate kind of change is not quite large enough to be statistically significant.

The only specific switch that includes enough companies to warrant some analysis is the one from a business managers model to a mix of managers model. Of

Exhibit 2: Matrix of Top Management Models Now and in Three to Five Years

Top Management Model Now[1]	Future Top Management Model[1]				
	Functional Managers Model	Mix of Managers Model	Business Managers Model	Asset and Resource Managers Model	Total
Asset and Resource Managers Model	7	1	1	23	32
Business Managers Model	1	23	119	4	147
Mix of Managers Model	4	106	4	1	115
Functional Managers Model	59	11	2	1	73
Total	71	141	126	29	367 companies

[1]The models being used have been inferred from the CEO's descriptions of the top management groups.

Table 9: Substantive Changes Associated with a Switch in Top Management Models

Expected Change	*Top Management Model*	
	"Switchers"	*"Stayers"*
Much greater diversification of the company's business(es)	43%	34%
Much less diversification of the company's business	1	7
Important merger/acquisition/ divestiture(s)	57	47
A major reorganization of the whole company	15	9
A major increase in operations outside the United States	25	16
A major decrease in foreign operations	2	a
Important change(s) in basic technology	30	36
Base	*60*	*307*

[a]Equals less than .5%.

the 23 companies expecting such a shift, 21 plan to add a top marketing executive to their previously all business-oriented top group, and 11 plan to add a top production executive. The broader implications of such a change are not easy to discern. However, it might imply consolidation in the form of greater emphasis at the very top on the functional relatedness of several of the company's businesses. It might also imply contraction—moving back to a functional operating emphasis in managing the primary business concurrent with the divestiture of certain other important lines of business.

But such a shift in model might also imply greater diversification and growth, perhaps by acquiring some major business that is functionally organized or by adding a top marketing executive and/or a top production executive in a top staff advisory role for a matrixed top management. In any event, the CEO's of these 23 companies seem just as sanguine about the future, and expect much the same kinds of overall changes that the other CEO's who are "switchers" do.

Chapter 3
Top Management and the Top Earners

ANALYSIS OF SALARIES can reveal a lot about companies. If, for example, it is assumed that the highest ranking, the most powerful, the largest contributing executives are by and large the highest paid executives in the corporation, then one might infer the identity of its top management from among the ranks of the company's highest paid executives.

The approach is obviously far from perfect. Some executives who are in the highest paid group are there only temporarily. Their high salaries may be the "buy-out" or "severance" by which they are eased out of their companies. Alternatively, bright, fast-track executives, newly risen to the top ranks of the company, may temporarily have salaries lower than those of other executives they outrank. Then, too, an investigation based on salary alone may be somewhat misleading in companies where bonus and stock options may be a significant part of executive compensation.

But if salary rankings can be misleading in individual situations, common sense suggests they give a fairly adequate overall picture of who the top people are. And even in companies that utilize bonuses and options as a major part of their executive compensation package, the rank of the executive by total compensation is rarely changed when compared with direct salary compensation alone.

As a means of complementing the survey of CEO's cited in the first part of this report, The Conference Board analyzed data from the 500 largest U.S. manufacturing companies to identify by title, function and salary rank their 10 highest paid executives.[1] The decision to analyze information on the ten highest paid executives rather than on eight or fifteen, was not totally arbitrary. Earlier studies had suggested the size of top managements to be generally in the neighborhood of five to eight.[2] Therefore, a cutoff at ten seemed reasonable for survey research purposes.

Confirmation of these earlier findings is found in the survey of chief executives presented in the first part of this report. In that survey, the median-sized top management was found to be composed of eight executives with most having between six and ten. While a few top managements have included as many as sixteen executives, three-quarters have fewer than ten. It seemed feasible, therefore, to compare the picture of top management as described by the chief executives with the picture of top management yielded by analysis of top earners.

Who Are the Top Earners?

The chief executive's picture of top management was described in the last chapter. What does top management look like when viewed from the standpoint of salary?

By Title

In all, 19 different titles are found among the executives for whom information was supplied. But a much smaller number of titles predominate. Ten of the titles, for example, account for 95 percent of the executives' positions.

The titles assigned show that all but a few of the executives who enter this charmed circle are at least of vice presidential rank. The "top ten" is clearly "vice presidential country." More than two-thirds of the 2,443

[1]Actually "reanalyzed" would be a more accurate description of the procedure. The data were originally collected and analyzed earlier as part of a salary survey by Harland Fox reported in *Top Executive Compensation, 1980 Edition*. The Conference Board, Report No. 793, 1980.

[2]These are Conference Board studies of chief executive "spans of control"—the number of executives who formally report to the top executives, as indicated by analysis of corporate organization charts. The most recent of the studies was Allen R. Janger, *Corporate Organization Structures: Manufacturing Companies."* The Conference Board, Report No. 598, 1973.

Table 10: Titles of the Ten Highest Paid Executives in 256 Manufacturing Companies, by Salary Rank

	Number of Executives with Title	Percent of All Top Ten	Rank									
			1	2	3	4	5	6	7	8	9	10
Chairman	142	6%	122	17	3	—	—	—	—	—	—	—
Chairman and President	45	2	45	—	—	—	—	—	—	—	—	—
President	206	8	86	113	7	—	—	—	—	—	—	—
Vice Chairman	43	2	1	12	23	11	2	1	1	1	—	1
Chairman Executive Committee	4	a	1	—	2	—	—	—	1	—	—	—
Chief Operating Officer	1	a	1	—	—	—	—	—	—	—	—	—
Senior Executive Vice President	4	a	—	1	1	2	—	—	—	—	—	—
Executive Vice President	295	12	—	59	74	58	42	24	13	12	7	6
Senior Vice President	317	13	—	17	47	48	49	44	34	29	29	20
President of Division	203	8	—	10	27	24	23	34	30	26	29	—
President of Subsidiary	73	3	—	3	8	9	7	8	6	12	9	11
Group Vice President	180	7	—	4	21	32	27	28	27	18	11	12
Vice President	841	34	—	19	42	65	96	105	121	123	134	136
General Executive	2	a	—	—	1	—	—	—	1	—	—	—
Director	13	a	—	—	—	—	2	4	2	—	5	—
General Manager	24	1	—	—	—	1	1	2	7	5	5	3
Division Manager	18	a	—	—	—	1	1	1	4	4	3	4
Assistant Vice President	2	a	—	—	—	—	—	—	—	1	—	1
Manager	20	a	—	—	—	—	—	—	2	4	7	7
	2,433	100%										

[a] Under 1%. Taken together, these titles account for about 4%.

executives about whom usable data could be tabulated, for example, are vice presidents of some sort (Table 10). The largest number (841, or more than a third of the total) are just plain "vice presidents." Collectively, another third are: "executive vice presidents" (12 percent), "senior vice presidents" (13 percent), or "group vice presidents" (7 percent). There is also a scattering of "senior executive vice presidents" and "assistant vice presidents" among the ten highest paid to round out the vice presidential picture.

In contrast, while "directors" and "managers" may pervade other echelons of corporate management, they are not much in evidence among the ranks of the ten highest paid. Fewer than 1 percent of the top ten are "directors" and only 62 (less than 3 percent) of the executives are "managers," "general managers," or "division managers."

The remaining one-third of the top ten is made up of the "chairmen" and "presidents," plus the lesser "presidents" of major subsidiaries and divisions.

By Function

What is it that top management does?

The largest number among the ten highest paid (just over 40 percent) are *general executives.* These are the general managers of the company whose duties are companywide in scope and cannot be identified with any one subunit or functional specialty. The remaining 60 percent split about evenly between operating and staff functional executives.

Operating executives are those with day-to-day responsibility for conduct of the company's business activities. Unlike the general executives, they are responsible for a segment of the company's total business operations. Typically they are responsible for manufacture or sale of a product or a product line, the conduct of a "business," or the servicing of a "market."

Staff functional executives are those who head up corporate functional staff departments. These staff departments provide expert, specialized advice to operating and general management, perform a centralized service for the company as a whole, and formulate and enforce companywide policies.

A closer look at the types of positions found at the top of the company are found in Table 11 (General Executives), Table 12 (Operating Executives), and Table 13 (Staff Functional Executives).

General Executives

The top earners' group invariably includes the "chief executive officer," the company's boss. In 187 out of 256 companies (73 percent), the chief executive officer carries the title of "chairman" or "chairman and president" (see Table 10), and presumably also functions as chairman of the board of directors. In the remaining 69 companies there is a separately functioning chairman of the board, but in only 22 of these (about one-third) is the chairman also a member of the top management group.

In 135 (or just over half) of the companies, there is a clearly designated "second in command," or as the posi-

Table 11: Ten Highest Paid General Executives in 256 Companies, by Salary Rank and Duties

	Number of General Executives	Percent of All Top Ten	Rank									
			1	2	3	4	5	6	7	8	9	10
Percent General Executives at each rank			99%	86%	62%	48%	35%	30%	22%	19%	12%	12%
All General Executives	1,085	42%	253	219	158	122	89	78	57	48	31	30
Chief Executive Officer	256	10	245	10	—	—	—	—	—	—	—	1
Chairman (not CEO)	22	a	4	13	2	—	1	1	—	—	1	—
Chief Operating Officer	135	5	3	123	8	1	—	—	—	—	—	—
Executive Committee Chairman	4	a	1	—	2	—	—	—	1	—	—	—
General Executive Staff and Operations	119	5	—	18	38	23	16	9	7	3	4	1
General Executive Staff	153	6	—	23	32	26	21	16	9	10	8	8
General Executive (no units)	26	1	—	2	10	5	3	2	1	2	1	—
General Operations Executive	371	15	—	30	66	67	48	50	40	33	17	20

[a] Under 1%.

Table 12: Ten Highest Paid Operating Executives in 256 Companies, by Salary Rank and Duties

	Number of Operating Executives	Percent of All Top Ten	Rank									
			1	2	3	4	5	6	7	8	9	10
Percent Operating Executives at each rank			a	8%	22%	28%	30%	41%	45%	43%	43%	43%
All Operating Executives	776	30%	1	21	57	71	78	104	116	110	109	109
Subsidiary Head	70	3	—	4	10	12	9	9	5	7	6	8
Internal Division Head	48	2	—	1	4	3	6	13	3	3	7	8
Marketing Operations (Corp.)	50	2	—	3	—	10	4	9	5	7	7	5
Division Head	482	20	1	9	34	36	43	57	76	61	68	61
Manufacturing Operations (Corp.)	40	2	—	3	3	5	5	2	9	4	4	5
Marketing in Division	49	2	—	1	6	—	3	8	5	9	8	9
Manufacturing Operations in Division	28	1	—	—	—	1	2	4	6	4	4	7

[a] Under 1%.

Table 13: Ten Highest Paid Staff Functional Executives in 256 Companies, by Salary Rank and Duties

	Number of Staff Executives	Percent of All Top Ten	Rank									
			1	2	3	4	5	6	7	8	9	10
Percent Staff Executives at each rank			a	6%	16%	25%	34%	30%	32%	38%	45%	45%
All Staff Executives	695	27%	1	15	41	64	88	74	82	98	116	116
Finance	259	37	—	13	28	32	38	21	28	39	33	27
Planning and Development	73	11	1	—	5	8	9	14	6	8	13	9
Research and Development	58	8	—	1	—	3	7	10	9	5	13	10
Manufacturing Staff	45	6	—	—	3	3	9	5	9	6	3	7
Legal, Secretary	118	17	—	—	3	13	11	12	14	16	25	24
Personnel	51	7	—	—	1	1	4	5	8	8	9	15
Marketing Staff	42	6	—	1	—	3	3	6	3	8	10	8
Public Affairs	28	4	—	—	1	1	1	—	4	4	5	12
Purchasing	18	2	—	—	—	—	6	1	1	2	4	4
Management Information Systems	1	a	—	—	—	—	—	—	—	—	1	—
Staff Operations Unit	2	a	—	—	—	—	—	—	—	2	—	—

[a] Under 1%.

tion is more commonly called, a "chief operating officer." The designations given the top two positions seem to imply a division of labor between them. Earlier studies of the units formally reporting to these positions on the corporate organization chart strengthen this implication.[1] The chief executive officers, for example, are more likely to have general executives and corporate staff units reporting to them, especially planning, public affairs, and administrative activities related to the corporate entity. The chief operating officers (COO's) are more likely to have under their wing product divisions, manufacturing or sales units, and other staff related to conduct of the business. Chief executives, therefore, might be said to usually concentrate more on the longer range concerns of the corporation, the chief operations officers more on the day-to-day operating matters.

But if these are areas of concentration, they are evidently not areas of heavy involvement. General executives are, at least in theory, devoted to general management matters, and this is also true of those general executives who are below the "second in command." The companies typically have more than one such general executive, who are identified as supervising more or less independent (and sometimes even relatively autonomous) major units of the corporation.

- 371 of the executives are "general executives for operations," or general operating executives who supervise more or less independent product divisions or subsidiaries.
- 153 of the executives are "general executives for staff," or staff general executives, who supervise unrelated major corporate staff units.
- Some 119 of the top-earning executives are general executives supervising a mix of unrelated staff and operating units. These are "general executives for staff and operations."
- 26 general executives serve as members of top management with no major units reporting to them.

Operating Executives

At least in one regard, the duties of the operating executives at the top are clear-cut: They are responsible for management of a major slice of their company's business activities—that is to say for the units that produce, market and distribute the company's goods and services. Operating executives carry the major responsibilities for conducting their companies' business activities.

- 482 (more than 60 percent of all the operating executives at the top) are heads of what are commonly referred to as product divisions—responsible for the manufacture and sale of a product, product line, service or set of related services.
- 70 of the executives head up subsidiaries of their companies—business units that have formal, legally defined, existence apart from the corporation of which they are a part.
- 50 of the executives head up the units that market and sell all, or a major part, of their company's products and services.
- 48 of the executives are heads of international divisions that sell—and possibly manufacture—company products abroad.
- 40 executives are heads of units that produce all, or at least a major part, of their company's products or services.
- The remaining executives are responsible for marketing or manufacturing functions within one of their company's product divisions.

But if the primary thrust of their duties can be defined, the relationship with top management is less clear cut. Some chief executives, Alfred P. Sloan was among them, feel that operating executives should not properly be part of top management. As they see it, evaluation of operating unit performance is a major role of top management, perhaps *the* major role. Having to play this top management role would place operating executives in an impossible conflict of interest. Other chief executives see the primary top management role more as one of integrating disparate business activities, an integration they feel requires the involvement of senior operating executives if it is to be effective.

Staff Functional Executives

Virtually all the staff functional executives included in the top ten are senior members of corporate staff. Only two are staff executives (finance executives) who report within operating units. All told, some ten areas of functional expertise, centralized service, and control are represented in the top earners' group.

They are (in order of their presence in the top ten):

Finance (259 executives)—These are the corporate staff executives concerned about the company's money. Finance executives appear in the top ten in 210 of the 256 companies surveyed (82 percent), by far the greatest prevalence of any functional staff area in top management. In 174 of these companies, there is a top financial executive who supervises all corporate staff finance-related activites in their companies. In 36, the corporate finance function is divided between a treasurer (who is the principal mobilizer and custodian of the company's financial assets), and a controller (who is primarily responsible for accurate measurement of financial performance).

[1]See, for example, Allen R. Janger, *Corporate Organization Structures: Manufacturing Companies.* The Conference Board, Report No. 598, 1973, p. 13.

Alone among the other major corporate staff functional areas, finance may be represented in top management by more than one executive. In some companies, for example, both the treasurer and the controller are among the highest earners. In a few, both the head of finance and a subordinate treasurer (or controller) are among the ten highest paid executives.

Legal and Secretarial (118 executives)—These are the corporate staff executives concerned with assuring the company's compliance with the law. Often this area includes the company secretary, whose position is mandated by laws of incorporation. The top legal executive is also often the company secretary.

Planning and Development (73 executives)—These are the corporate staff executives who are concerned about the overall future business posture of the company. Most often they design and oversee the planning process; less often they are responsible for developing new business and ventures. Sometimes they are involved with the acquisition and merger process.

Research and Development (58 executives)—These are the corporate staff executives who concentrate on new technology, products and processes. They may supervise central research laboratories or coordinate and evaluate the research activities of the various operating segments of the company.

Personnel (51 executives)—These are the corporate staff executives concerned with people in their role as employees of the company. Usually this executive's responsibilities include labor union relations.

Manufacturing Staff (45 executives)—These are the corporate staff executives concerned primarily with plant construction, quality and the coordination of a variety of activities in support of existing manufacturing processes.

Marketing Staff (42 executives)—These are the corporate executives primarily concerned with support, evaluation and coordination of the marketing and sales efforts of the various operating segments of the company.

Public Affairs (28 executives)—These are the corporate staff executives who are mainly concerned with helping the company communicate effectively with its external constituencies, and especially with the press and government.

Purchasing (18 executives)—These are corporate staff executives who are mainly concerned with coordinating major purchasing activities of the company.

Management Information System (1 executive)—An executive concerned primarily with the management of the information flow needed to manage the company effectively. The term implies the application of high-speed powerful computers and sophisticated electronic communications techniques to issues of top management planning, surveillance, measurement and evaluation of performance.

Two Pictures of Top Management Compared

How does this picture of "top management" positions, generated by analysis of salary, compare with that outlined in the previous chapter by the chief executives?

To make this comparison possible, the data on numbers of executives were converted into prevalence of various functions by company. These data appear as percentages of prevalence in the second column of Table 4. In the other column are figures for the largest manufacturing firms from Chart 10 of Chapter 2, reporting the prevalence with which functions appeared in the chief executives' picture of top management.

The two pictures of top management are overwhelmingly similar in that the same kinds of positions appear in both "top managements." For example, all the functional areas appearing in the top management group described in the last chapter on page 22 also appear in the analysis of top management in this chapter. And the reverse is essentially true. (The "top management" of high earners includes a few "purchasing" executives and a lone "management information systems" executive. Neither of these functions is added by very many chief executives when presenting their pictures of top management.)

The raw percentages of prevalence do not agree in general, however. Except for the marketing, manufacturing and R&D functions—which appear about equally in the two pictures of top management—other staff functions appear less frequently among the top in the salary definition.

In the cases of human resources, public affairs, and planning, the differential is especially striking. Top management, for example, includes the top human resources executive in the CEOs' descriptions in more than twice the number of companies in which those executives appear among the top earners. The differential—in the same direction—is almost as high as in the case of public affairs, and is about 40 percent higher in the case of planning.

One might speculate that these substantial differentials are due to the relatively recent rise of these three functions to top management status in a number of companies. Incumbents' salaries in these staff functions may not yet have caught up with their duties and responsibilities. Unpublished Conference Board research also suggests that there has been heavy recent turnover at the top of such functions as human resources and corporate planning. The top positions in these two functional areas are evidently used quite frequently as rotational assignments for general managers on the promotional "fast-track"; these, too, could often create situations where the influence of new, young executives was rising faster than their salaries.

But there appears to be another more pervasive factor that reduces the relative prevalence of all the staff func-

tions among the ten highest earners. The data in the tables make a very clear point: There are far more general executives and operations executives among the top earners than would appear to be included in the ranks of top management by the chief executives themselves.[4] Conversely, staff executives may contribute to the counsels of the chief executive without necessarily having top financial rewards. Another way of putting it is that companies generally pay more—the Hay salary evaluation system makes this explicit—for profit accountability than for top management advice.

All these findings require a reexamination of the assumption on which this chapter began. For an executive's presence in the ranks of the ten highest earners turns out to be only a fair indicator of top management duties—especially if the individual is a general or operating executive.

But whatever its shortcomings as an indicator of top management duties, analysis of earnings rank apparently tells a great deal about relative status in the company. Salary rankings may indeed give insight into status relations among executives—they may disclose the "top management pecking order." Analysis of rankings can thus answer the kinds of questions about the relative status of individuals' positions and titles that an interviewer might be too diffident to put directly to a chief executive—and that a chief executive might be unwilling or unable to answer.

How, for example, do the various vice presidential titles relate to one another relative to status? Further, where do such titles as subsidiary president and division president fit in the constellation of top management status?

In answering such questions it is once again necessary to stress that this analysis deals with aggregates, with broad company experience, and that each company has its own particular approach to the headaches of executive titling. Titles mean what a management wants them to mean. But often management's selection of a title turns not so much on its own perceptions as on what managers hopes the title will connote away from the company headquarters—at the farthest branch office, among competitors, and in the world at large. The aggregate perception, if not decisive, is often the most relevant consideration. The Conference Board sought some clues to this aggregate perception in these very large manufacturing companies by determining the prevalence of various titles among the highest paid and by assessing the rank of the median executive carrying a particular title. The medians for each title appear as boldface figures in the cells of Table 10.

By this measure, the highest median salary rank for any category of titles appears for the title of "chairman and president." Moreover, by far the largest number of executives with these titles are at the highest salary rank in their companies. All of the 45 "chairman and president" titles are carried by the top earners in their companies. And except for a single "vice chairman" and a "chairman of the executive committee" there are no other executive titles at the highest salary rank. Clearly the idea that the "chairman" and "chairman and president" carry the most prestigious titles in the executive pantheon of titles is backed up by salary rankings. About the only—and admittedly minor—distinction that can be made between the two top-ranking titles lies in the fact that a few of the "chairmen" are the second and even third highest earners in their companies, while the "chairman and president" is invariably reported as number one.

The "presidents" come next in titling prestige. These executives are centered in the top three salary ranks, with the median salaried executive falling at rank two.

As measured by salary, titles like "vice chairman," "executive vice president," and all the other varieties of vice president are carried by executives scattered at all but the very highest level of the top ten. Vice presidents and the vice chairmen are rarely as high as number two in their companies—and mostly rank at number three and below. There are relatively clear graduations, however, in the salary rankings of the various types of vice presidents. While the "vice chairman" is the third highest paid executive, the "executive vice president" leads the VP's as the fourth in ranking. The median ranking for "senior vice president" is the fifth highest paid. The "group vice president's" median salary rank is the sixth highest, and the garden-variety "vice presidents" center at rank seven.

"Directors" and "managers" are simply not found above the fourth level and they center, in those relatively few companies that include them in the top ten, in the seventh, eighth and ninth salary rankings. By this measure, "directors" still generally rank higher than "managers" and "general managers." However, there are far more "managers" than "directors" among the executives analyzed for this study.

The presidents of divisions and subsidiaries tend to center at rank five, along with the "senior vice presidents," while the "division managers" center at rank eight. Organizationally, therefore, the escalation of title from division manager to president of a division carries with it the connotation of a raise in the relative status

[4]In addition to indicating whether certain specified general operating officers and functional operating executives were included in top management, the CEO's were asked to indicate whether there were any—but not how many—general operating managers (in charge of a group of businesses or a division or subsidiary) included. The latter approach was also taken with respect to general corporate staff managers (in charge of several corporate staff units) and vice chairmen (if not already listed elsewhere). Thus, in the CEO survey, even though the total number of executives in the top management group is known, it is not always possible to determine exactly how many general operating managers are included. However, global analysis of all the data strongly supports the basic point being made here.

of the incumbent. Does it also mean more money for the executive? An earlier analysis of the same data (Fox, 1980) suggests that the answer is "yes, but not much more."[1] The median salaries of executives in the first three salary rankings differ quite substantially, varying by as much as 90 percent or more from one rank to the next. From the third to the tenth ranking, however, the steps are much narrower. From the salary evaluator's point of view, indeed, the differences may be so small as to place them in the same salary category. The median salary for the third-ranking executive is only 10 percent more than that of the tenth-ranking executive.

Evidently, the old canard that senior executives seek to escalate their titles in order to justify higher and higher salaries turns out to be false. This analysis suggests rather the reverse, that title escalation, where it occurs, is primarily the result of the need to reflect status differences at the top. Grander titles may even be given in lieu of large salary increases, and small adjustments might then be made in salary to keep things tidy. It is perhaps suggestive in this regard that distinct titles can be associated with virtually each salary ranking from one to ten. The title list outlined in Table 10 provides the means, if a company so chooses or a management feels the need, to differentiate publicly the status of its ten highest paid executives by giving each of them a different title.

The Highest Paid Functions

When the pay rankings of the ten highest earners are analyzed by function, the general executives clearly emerge as the highest in status. The median salaried general executive, among those surveyed, is the third highest paid executive in the company. The operating executives are the next most prestigious, their median salaried executive being at rank seven, while the median salaried staff functional executives rank one salary rank lower.

Ranking the General Executives

The companies surveyed reported on some eight different kinds of general executive positions, beginning with the company's overall "boss," the chief executive officer. (See Table 11 on page 37.) The CEO's were almost invariably the highest paid executives in their company, followed by the "chairman of the board," who is not also the chief executive officer, and the "chief operating officer."

The "chairman of the executive committee of the board of directors" was named among the top ten in all four companies. The median salary rank for the executive bearing this title was number three. While many others among the companies surveyed also have executive committee chairmen, these individuals are not regarded as members of management, or not paid one of the ten highest salaries in the company.

Next in status come a trio of executives responsible for general duties, but at lesser levels of responsibility than the top four. These are the general executive staff and operations and those general executives who have no responsibilities for supervision of major subunits of the company. These general executives all center around the number four median salary rank.

Finally, there are the general operations executives, who coordinate major company operating units such as products divisions or company subsidiaries. The median general operations executive is the fifth highest paid executive in the companies surveyed.

Operating Executives

Some seven varieties of operating executives are named among the ten highest paid executives among the companies surveyed. (See Table 12 on page 37.) The highest ranking are the heads of independent subsidiaries, the heads of international divisions, and the heads of corporate marketing operations. (These latter marketing executives are, of course, heads of either their company's entire selling and marketing effort, or at least a major part of it. They are not primarily staff executives although they may supervise some corporate staff marketing activities, such as advertising or market research.) These executives tend to cluster at rank six, one level below the median salary rank of the general executives for operations.

The heads of divisions and the heads of corporate manufacturing operations have a median salary rank of seven.

In general, these are individuals of high status in their companies. More than 70 operations executives are among the three highest paid executives in their companies, and one division head has even managed to walk away with the company's top salary.

And the Corporate Staff Functional Executives

Corporate staff executives are conventionally regarded as lower in status than general management and operations executives, and that seems to be as true within the ranks of the top ten as lower down in the company salary order. However, some staff executives are to be found in the higher pay ranks, and some staff functions evidently carry more status than others.

A summary of staff executive pecking order by function utilizing a mix of prevalence and median rankings appears in Table 13.

One of the corporate planning and development executives is the highest earning individual in the company. And at the second salary rank some 6 percent of the executives are primarily staff executives, mostly in the finance area.

[1]Ibid. Fox.

Overall, the finance and planning executives have the highest status of staff functional executives in their companies. Median salaried executives in these functions were sixth highest paid in the group, followed by manufacturing and R&D staff executives at rank seven. Median legal-secretarial, personnel, marketing staff, and purchasing executives follow at rank eight, and public affairs and the lone "MIS" executive follow at rank nine.

The Fine Art of Conferring Status

How are titles conferred on executives carrying certain functional responsibilities? Some executives like to pretend status is extraneous to the task of management, while others prefer to ignore the status implications of what they do. But still others regard the planning of status relations as part of the organization planning task. They may act out of a sense of justice, believing that executives should receive equitable status in the same sense that they deserve equitable pay. Other executives confer status the way they delegate authority or delineate a job responsibility—in such a way as to aid the incumbent to get the job done.

Table 14 illustrates how chief executives utilize titles to raise or lower the status of an executive or function. The table documents the interplay of titles and function at the top of the company, the "fine-tuning" of status at the top.

Of course, some titles cannot be used in this way; for the titles are already closely associated with a specific function or set of duties and responsibilities. As the table clearly illustrates, for example, the "chairman" title, is

Table 14: Prevalence of Functional Specialists in Two Versions of Top Management (500 Largest U.S. Industrial Companies)

	Top Management Group defined by:	
Functional Specialty	*Chief Executives*	*Earnings*
Finance	93%	82%
Legal, Secretary	75	46
Human Resources	54	20
Planning	46	29
Marketing	29	37
Manufacturing	27	33
Research and Development	27	23
Public Affairs	27	11
Purchasing	—	7
Management Information	—	a

[a] Less than 1% of the companies.

Table 15: Titles of the Ten Highest Paid Executives, by Job Function

	Chairman (not CEO)	*CEO*	*COO*	*Exec. Comm. Chairman*	*General Exec. Staff and Ops.*	*General Exec. Staff*	*General Exec. Ops.*	*General Exec. (Unknown Duties)*	*Operating Exec. Marketing*	*Operating Exec. Manufacturing*	*Operating Exec. International*
Chairman	21	121	—	—	—	2	—	—	—	—	—
President	—	88	138	—	5	1	2	—	—	—	—
Chairman & President	—	45	—	—	—	—	—	—	—	—	—
Vice Chairman	—	1	1	1	6	14	9	7	—	—	1
Senior Exec. V.P.	—	—	—	—	4	3	6	—	—	—	—
Exec. Vice President	1	1	16	—	48	54	86	4	7	1	8
Senior Vice President	—	—	3	—	12	31	45	7	5	6	3
Group Vice President	—	—	—	—	14	4	121	—	—	1	5
Vice President	—	—	1	1	14	42	31	4	37	36	26
Subsidiary President	—	—	—	—	3	—	2	—	—	—	2
Division President	—	—	2	—	8	3	49	—	1	—	7
General Manager	—	—	—	—	—	—	1	—	3	2	—
Division Manager	—	—	—	—	—	—	—	—	—	—	—
Director	—	—	—	—	—	—	1	—	1	2	—
Manager	—	—	—	—	—	—	—	—	3	—	—
Assistant Vice President	—	—	—	—	—	—	—	—	—	1	—
Totals	22	256	161	2	114	154	353	22	57	49	52

[1] Finance is in the top 3 in 41 companies.

associated in the large majority of cases with the chief executive officer function of a company. The "president" title, once associated with the chief executive function, is now more commonly associated with the responsiblities of a chief operating officer, who works below the CEO. The title "president" is also strongly associated with individuals who head up subsidiaries and product or regional operating divisions, as are the titles of "division manager" and "general manager."

Certain titles are identified most closely with general executive rank: vice chairman and senior executive vice president. (Although top-ranking planners and finance executives are also sometimes rewarded with the vice chairmanships.) Other titles—executive vice president, senior vice president, and group vice president—are most frequently issued to general executive positions, but are evidently also used where necessary to elevate operating and staff executives above the status of other vice presidents. The way titles are assigned to the various kinds of top management is outlined in Table 15.

The status of an individual or function evidently arises from a number of interdependent sources:

(1) *Traditional*—certain functions and positions have historically been accorded high status in the company, others have "always" been lower status.

(2) *Personal*—by personal qualities of character, personality and status outside the company, executives may gain status for themselves and bring additional status to the functions they head.

(3) *Functional*—certain functions get their status because they are perceived as more or less important to the achievement of company goals.

(4) *Organizational*—Chief executives may augment the status of a function by, among other things, conferring a more august title on the executive who heads the unit.

"Traditionally," for example, finance, marketing and manufacturing have probably been the most prestigious single functions. The analysis suggests that they are among the most prestigious today. For whatever reason, comparisons with earlier studies suggest considerable stability in relative status of major functions.[6] Only one

[6]The comparisons for this portion of the study were made with organizational analyses made in the early 1960's for The National Industrial Conference Board report, *Top Management Organization in Divisionalized Companies*, by Harold Stieglitz and Allen R. Janger, Studies in Personnel Policy, No. 195, 1965. In that earlier study, as summarized in Table 1 on page 14-15 of that report, the relative status of senior functions could be inferred from both functional prevalence on corporate organization charts and on reporting relationships.

Division Head	Subsidiary Head	Corporate Staff Planning and Dev.	Finance[1]	Legal-Secretary	R & D	Marketing	Manufacturing	Personnel	Public Affairs	Purchasing	MIS	Div. Executive Manufacturing	Div. Executive Marketing	Div. Executive General Executive
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1	2	3	4	1	1	—	—	—	—	—	—	—	—	1
2	—	—	—	—	—	—	—	—	—	—	—	—	—	—
31	1	3	18	3	6	2	—	2	3	2	—	1	3	8
17	1	18	51	25	5	6	6	7	6	2	—	3	6	5
16	—	1	—	2	2	1	—	1	—	—	—	3	2	1
172	6	40	143	16	40	35	28	34	16	10	—	18	28	14
10	47	—	—	—	—	—	—	—	—	—	—	—	—	—
142	7	3	—	1	2	—	—	1	1	—	—	—	—	—
13	—	—	—	—	—	—	—	—	—	—	—	2	1	—
16	—	—	—	—	—	—	—	—	—	—	—	1	—	—
2	—	2	—	1	1	1	2	6	2	2	1	—	2	—
6	—	1	1	—	1	4	1	—	—	1	—	1	2	1
—	—	—	1	—	—	—	—	—	—	—	—	—	—	—
—	—	—	2	5	—	2	—	—	—	1	—	—	—	—
428	64	71	220	54	58	51	37	51	28	18	1	29	44	30

functional area appears on the new corporate staff functional status list (Table 13, page 37) that did not occur on the earlier one: management information systems. Only one, corporate planning, has substantially escalated its status and only one, purchasing, might be said to have dropped dramatically. Otherwise, rankings have not changed much.

The major differences in the status of corporate staff functions from company to company appear to be largely the result of the last two factors cited above. As noted in the earlier analysis of top management, there are a number of differing patterns of top management composition. Similar patterns also appear among the top earners.

In one group of companies, for example, the top management group contains only general executives whose functions are related to the corporate entity rather than to the production, sales or distribution of goods and services. In one such company, for example, the "top 10" is made up almost exclusively of general executives. Indeed, five are general executives each of whom oversees several operating divisions. The top ten (by function) are:

(1) Chief Executive Officer
(2) President and Chief Operating Officer
(3) General Executive Staff and Operations
(4) General Executive Staff
(5) General Executive Operations
(6) General Executive Operations
(7) General Counsel
(8) General Executive Operations
(9) General Executive Operations
(10) General Executive Operations

Another company of this type includes a number of functional executives. In addition to the chairman, president and three general executives for staff and operations, there is a "second five" made up of the general counsel, personnel, finance, public affairs, and tax executives.

Both of these top ten listings are from highly diversified, large manufacturing companies; companies that Wall Street regards as "conglomerate," because they are seen as composed of a collection of discrete, unrelated subbusinesses.

In a second group of somewhat less diversified companies—the so-called "agglomerates" whose subbusinesses utilize technologies and production processes that are related one to the other—there is a somewhat different top-ten composition. These top managements include "operations-related" staff executives—research and development, manufacturing staff, and possibly marketing staff—in their top group. They also include the heads of major business segments such as "sectors" and "product divisions," which are held accountable for profit or business performance.

In still a third group of companies, the top management group includes functional operating executives, such as heads of major manufacturing or sales units. In a major steel company, for example, the head of the company's major steel-making facility is a member of the "top ten." In another company of this type, a major integrated oil company, the heads of the major functions of the business—refining and marketing, exploration and production, research and technology, and petroleum purchasing and transportation—are all members of the top ten. Companies whose top ten are of this type may be of varying sizes, and may carry on a wide variety of very diverse activities, but they share the common characteristic that for management purposes they are generally treated as a "single business" or "profit center," and are generally known as "single-industry" companies in the investment community.

The senior operating executives in these companies head up functional operating units. The character of their responsibilities relates more to participation in the overall coordination of the parent enterprise than to the general management of anything that might be regarded as a semi-independent "business."

Clearly, the degree and character of diversification affect the composition of top management. Of course, no matter what the economic configuration of a company, the highest status executives are the general management executives—starting with the chief executive officer. However, the larger and especially the more diversified the company, the more the general executives tend to predominate among the top ten. As noted, in the most diversified of the companies already examined, top managements tend to be composed almost entirely of general executives. (The general counsel and a financially oriented general staff executive are the only probable exceptions.) At the other end of the economic configuration spectrum, the very large steel company had only two general executives at the top, the chairman and the president, the top two earners in the company.

It is in the "lower five" paid positions of the top ten that economic configuration evidently bears most significantly on the status of operations and staff executives. It is at these levels that heads of administrative or operating staff, staff or business divisions, business divisions or functional units vie with one another depending on whether the company is "multiple-business, unrelated" in its economic configuration, "multiple-business, related," or "single business."

The final decision as to just where in the status rankings a function is to be, lies with the chief executive, or perhaps with the board of directors. Given the "traditional" status ranking of a function, add to it the "personal" status of the incumbent, and the status provided by the economic goals of the company, and the chief executive may add a final bit of public status by the title conferred on the incumbent.